Current HISTORY

October, 1933 — Price 25 Cents

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Contents for OCTOBER, *1933*

A Month's World History

To Dr. Haridas Muzumdar the crime is not Cuba but India. What he sees is a titanic struggle *Gandhi Versus the Empire* (Universal) in which the idealism of the individual, utterly and infallibly right, challenges the realism of an alien rule which, whatever its uses, is essentially and inevitably wrong. We gather that this book is under the ban of the government of India. To some that will be a recommendation, to others it will suggest that the problem is somewhat larger and more complicated than the treatment which, in these pages, it receives.

Among the books having to do with the present-day problems of the Jewish people is the careful volume in which Oscar I. Janowsky analyzes *The Jews and Minority Rights* (Columbia University Press) during the period 18 8 to 1919.

The Untried Case (Vanguard Press), which is presented by Herbert B. Ehrmann, is important because it is based not merely upon the theory that there was insufficient evidence to convict Sacco and Vanzetti but that other evidence has now been collected which, subject of course to cross-examination, is adequate to demonstrate an alternative theory of the crime.

Economists, professional and amateur, continue to be inspired by an eagerness to improve upon the arithmetic of civilization as understood by classicists like Mill, Fawcett and their twentieth-century successors. As an engineer accustomed to the precise infallibilities of blueprints, Mr. Bassett Jones applies an elaborate series of graphs to *Debt and Production* (John Day), drawing conclusions too complicated to be summarized here. Clearly he is to be numbered among the many who mistrust the continuing efficacy of the capitalist system as defined hitherto.

Many books deal with special aspects of economics. The University of Virginia has issued a study of *The Cotton Cooperatives in the Southeast*, by Wilson Gee and Edward Allison Terry, which is timely as furnishing a background for the momentous experiment in control of production now under observation. *Life Insurance as Investment*, by Solomon S. Huebner and David McCahan (D. Appleton-Century Company), is significant first as an instance of a textbook intended to spread information of what has been regarded as a field for the expert, and secondly as pointing out that insurance is more than a method of safeguarding against contingencies.

The Industrial Relations Counselors render a public service by issuing the three exhaustive volumes in which Murray W. Latimer has collected all that is pertinent to know of the *Industrial Pension Systems in the United States and Canada*. This monumental work is the last word on such schemes as promoted by the private employer, and if it be concluded from this mass of evidence that these schemes have failed, as a whole, to meet the need, what are we to try next? To that far-reaching question Great Britain was persuaded by David Lloyd George twenty-five years ago to give no less far-reaching an answer.

Nazi Germany

GERMANY ENTERS THE THIRD REICH. By Calvin B. Hoover. New York: The Macmillan Company, 1933. $2.50.

ALTHOUGH a number of competent books on Germany have appeared in recent years, they are already out of date because of the tremendous changes that have followed the Nazi revolution. No better example of this can be cited than *The German Phoenix*, by Oswald Garrison Villard, which was published on the eve of Hitler's appointment as Chancellor. Professor Hoover himself, in fact, wrote an article as late as last December in which he attributed to the German industrial magnates, the Junkers and the Reichswehr a greater control over events than they subsequently showed, and in which he failed to give enough credit to the intelligence, ruthless single-mindedness and strategy of the Nazi high command. But in this book, which is undoubtedly the best study of National Socialist Germany that has yet appeared, he has revised his estimates and foresees for National Socialism a career that will closely parallel in lasting power that of fascism in Italy and communism in Soviet Russia.

Professor Hoover is an experienced analyst of political and economic revolutions. He went to Germany early in 1932 and had exceptional opportunities to study the sequence of events that brought in the Nazis and by which they consolidated their position and made themselves the supreme power in the Reich. Apart from being a coherent and dramatic account of the rise, temporary waning and final coup of the Nazis, which are now fairly well known, the book includes two valuable chapters on "Fundamental Principles and Characteristics of National Socialism" and "Economic Aspects of National Socialism." Especially in the latter Professor Hoover writes as competently as any one who has yet dealt with the subject. One may surmise that he went to Germany to gather material for a book on the economic life of Germany, to follow that of his earlier study of Soviet Russia, but that his plan was changed by the political revolution. Being an economist, however, his attention has been alert to significant economic changes. The development of *Autarkie*, as the Nazis call their form of economic nationalism, their attitude toward labor, foreign trade, foreign debts, "interest slavery" and other phases of economic life, are clearly explained.

As to the future, Professor Hoover writes: "The National Socialist party, as the absolute power in Germany, must be reckoned with as though it were permanent." He does not expect

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Contents for NOVEMBER

A Month's World History

reputation of Broadway, of the music halls in London and of the prize ring. In *Dark Hazard* (Harper) by W. R. Burnett, whose *Little Caesar* and *Iron Man* are familiar from coast to coast, we have a picture no less vigorous of the gambler. Nor do architects escape. H. M. Tomlinson, in his majestic manner, has attained unto the incredible. His penetrating vision has discovered an architect whose soul is so uplifted that he prefers the somewhat unremunerative *Snows of Helicon* (Harper) to the solid, though now unusual joy of designing hotels and skyscrapers. For students of social conditions *Requiem* (John Day), by A. E. Fisher, is important. It tells the story of a week in the life of a wage-dependent family in Pittsburgh.

In a world that is finding itself for the first time, the varieties of race and religion suggest innumerable contrasts, grave and gay, nor, as a travelogue, can we say that fiction is overdone.

Rhodesia arouses the perennial rivalry between realism and romance. In *The Outsider* (Coward-McCann) Sheila MacDonald discloses the intimate actualities of colonial pioneering. What, however, relieves the god-maternal mind of Cynthia Stockley is the news, not too early in her pages, that the *Kraal Baby* (Doubleday, Doran) has proved to be, after all, of white blood, which simplifies matters for all concerned.

So with the Far East. It is realism that has yielded *Oil for the Lamps of China* (Bobbs-Merrill), which Alice Tisdale Hobart, serious in her purpose as Pearl Buck, contributes to our understanding of the disturbed civilization of which she has first-hand knowledge. But in *Chinese Lovesong* (Doubleday, Doran) J. Van Dyke, with his "scarlet woman" from Russia as demi-heroine, has written a scenario for the movies.

It is not always the normal and decent West that penetrates the East. In *Monsoon* (Harper), Wilfrid David exhibits the not unusual case of an Englishman who has lost his niche at home and so becomes an embittered agitator abroad. The Americans, described by Struthers Burt, suppose, in their pseudo-innocence, that they are *Entertaining the Islanders* (Scribner's). But we must not be wholly astonished if islanders from Majorca to Hawaii sometimes retort like Queen Victoria, who also was an islander, that they are not amused

To assume that civilization seeps into barbarism, is not enough. Barbarism is seeping into civilization. If James G. Dunton, when he crashes *The Queen's Harem* (Sears) is as "ridiculous, ribald, Rabelaisian" as his adoring publishers declare, it is barbarism, as well as civilization, that must receive the applause.

To another and far more compelling "comedy of irrelevance," that reciprocity of penetration is the clue. Of popular novels this sea son, *Mandoa, Mandoa!* (Macmillan), by Win ifred Holtby, is not merely the most riotous i its originality and glorious in its burlesque. It jests would be significant if the author wer a man. In a woman, such humor is doubl portentous. Mandoa, which now is added t the more vivacious vocabulary of Vassa arousing also the rapturous growls of th Princeton tiger, may never have been wholl African, even in Abyssinia. But in the perso of Miss Holtby, it is certainly Yorkshire, an a reprint of this volume, in deadly parall with Charlotte Brontë, would suggest tha going Mandoa like going native is a kind o intellectual reflection of a sophisticated nudism

As a phenomenon, life on this planet is a consuming fire of obstinate persistence. I radiates from the hearth of *The Grey Cottag* (Macmillan) where, in quiet surroundings, G McPherson watches the workings of ever restless fate.

Marriage is no longer an ultimate paradis in which people live happily ever after. It is a purgatory into which youth curiously infallibl otherwise, defies the warnings of age-long experience and is mutually enveigled int bonds of circumstance that chafe the temperament.

Of the influences that militate against matrimonial bliss, the most obvious is economic Frank Tilsley traces *The Plebeian's Progres* (Covici-Friede) of a young husband and wif in England who were defeated by unemployment. Elizabeth Cambridge, dealing with situations hardly so desperate, shows how a hom full of *Hostages to Fortune* (Putnam's) and a very restricted fortune can be maintained by harassed parents who, despite all their labors have "a wonderful time."

The husband who is supported by his wif receives careful attention from authors wh happen themselves to be among the Amazons Helen Woodward describes *Queen's in the Parlor* (Bobbs-Merrill), by which she mean queens who escape from the parlor into whatever may be their majesties' business. In a first novel, Miss A. R. Craig tells of the days *When Adam Wept* (Doubleday, Doran) because, as he shakes his cocktail, Eve ha robbed the poor fellow of the work whicl ought to have been his Eden.

The Victorians, in their rough and ready way, asked whether marriage was a failur and talked about marrying in haste and repenting at leisure. Sigrid Undset, in her massive yet delicate Norwegian manner, examines a particular case and arrives at a curious conclusion. There is no doubt that *Ida Elizabeth* (Knopf) has been so inwardly impulsive as to marry what we call the wrong man. Yet, after all vicissitudes and discouragements, she de-

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Contents for DECEMBER

A Month's World History

CURRENT HISTORY

OCTOBER 1933

Is It Recovery?

I—Turning the Corner

By BERNHARD OSTROLENK

[Dr. Ostrolenk, economist on the editorial staff of the *Business Week*, is the author of numerous works on economic subjects. To May CURRENT HISTORY he contributed an article on the banking collapse.]

DIFFICULT as it may be for a sober statistician not to become lyrical when he contemplates the astounding financial and industrial gains that have been made in America since last March, now, if ever, is a time when extravagant claims and buoyant prophecies are out of order, for much dogged work lies ahead of the government and patriotic citizens if the gains that have been made are to be consolidated and conserved. Above all, there is a need for a realistic outlook and an honest appraisal of existing weaknesses. Yet, without attempting to idealize the future or to create a false belief that the wreckage of the depression has already been cleared away, it is true that a greater recovery has taken place than the most sanguine had hoped for and that a nation which, five months ago, was prostrate is today once more on its feet and rapidly regaining its economic health.

The evidence of recovery is obvious; it is revealed by the new hopes of business men, by the demand of labor for higher wages, by the feverish activity in Washington to promote industrial codes, and by the new psychology in the streets and stores, in mills and mines, in factories and on farms. No economic statistician parading bloodless figures is needed to convince the average man that industrial activity has returned.

But figures likewise testify to the most rapid resumption in business activity of which there is any record. Economic hierophants measure industrial activity by a weighted index whose components give a clue to the

state of business. From March 1 to the end of July, the general business index rose 54 per cent; but increases in specific lines are concealed. For example, steel ingot production rose from 16.2 per cent of capacity in March to 63.5 per cent in July, an increase which, it must be remembered, reflects activity in mining ore, coal and limestone, in the transportation facilities which take these raw materials to the mills and then carry away the semi-finished products, an increase which discloses additional business in construction, automobile and machinery manufacture and in the many other industries in which steel is used. Other figures bear out this increased activity. Freight carloadings have risen 30 per cent during the period; electric power production, a sensitive index of factory activity, is 20 per cent higher; automobile production has increased from an index of 27 in March to 63.1 in July—almost 140 per cent. Automobile sales of one large corporation rose from 58,000 in March to 107,000 in July, in contrast with 37,000 in July, 1932. These figures, if extended, will show that every index bears witness to a resurgence of business.

Behind the indices, however, are the impulse and throb of human activity. Hundreds of thousands of homes that had been devastated by unemployment are being rebuilt and rehabilitated; the agony of poverty, which hovered over millions of people, is rapidly disappearing; the despair which came with dependence on friends or public charity is being replaced by confidence and hope in the future; bewildered, dismayed and discouraged business men, who for more than three years have daily, weekly and monthly been subjected to heavy losses, are now buoyantly planning to repair and operate their enterprises; millions of investors whose savings had been rapidly disappearing, whose incomes had been impaired, who faced the loss of a lifetime of thrift, are beginning to hope that their securities, their insurance policies and old-age annuities will again have value.

During July employment in 18,000 factories, covering eighty-nine industries and employing 3,000,000 people, with wages aggregating $54,000,000 a week, showed an increase of 22 per cent over March; payrolls were almost 40 per cent higher than in March. This means that not only are additional people no longer idle, but that those who had employment are working a fuller week and are, in some cases, receiving higher wages. These figures, from the Department of Labor, do not disclose the total increase of employment in the United States; statisticians are afraid that these samples do not accurately represent the situation as a whole. But it is conservatively estimated that, if the figures given for the 18,000 factories hold good, with certain corrections, for the much larger group of enterprises not included in these statistics, that anywhere from 500,000 to 1,500,000 workers have returned to work.

From the standpoint of capital, the new picture is equally significant. Combined net earnings of 163 industrial companies amounted to $77,000,000 in the second quarter of this year against a loss of $21,000,000 for the same companies during the first quarter. Dividends were resumed or increased by sixty-three corporations in the second quarter when the dividends declared totaled $619,000,000, compared with $603,000,000 in the preceding quarter. Bankruptcies from March to July were 40 per cent less than during the corresponding period last year. Net earnings of 165 Class I rail-

roads were $94,000,000 in June against $41,500,000 last February and $47,000,000 in June, 1932.

The increased earnings of corporations and railroads have been reflected in higher prices for securities on the exchanges. The bonds listed on the New York Stock Exchange, which had an original par value of $40,800,000,000 and had fallen to $30,500,000,000 in March, now have a market value of $34,500,000,000—an increase of 13 per cent. The value of all shares of stock listed on the exchange has risen from a market value of $19,700,000,000 on March 1 to $32,700,000,000 on July 1—an increase of 66 per cent. Such an improvement in security prices has greatly strengthened the nation's banks whose bond portfolios had been seriously impaired when the decline of bond prices destroyed the equities invested in these banks, froze their assets and impaired their deposits. It is significant that bank failures have disappeared from the front page of the newspapers.

The higher prices now obtainable for securities have improved the financial position of the insurance companies, of investment trusts, of savings banks, of trust estates, of hospitals, colleges, foundations and other institutions. The borrowing power of industrial enterprises and the ability of financial institutions to lend have been increased. In brief, the re-establishment of a portion of the value of securities lost during the depression has strengthened the economic and financial position of the country and forms a buttress for further industrial recovery.

The gain in employment and the increase in industrial activity have been reflected in higher commodity prices. It is always a moot question among the initiates whether a rise in commodity prices precedes industrial activity or industrial activity precedes a rise in prices. In theory, increased activity brings with it increased employment, placing in the hands of the public larger purchasing power and making ultimately for a scarcity of commodities which results in higher prices. Actually, the business community anticipates the increase in industrial activity and begins to call for commodities, thus making for a rise in prices even before workers have wages to spend. It is beside the point to discuss which is cause and which is effect. The important thing is that commodity prices have risen sharply, concurrently with the increase in industrial activity.

The index of wholesale commodity prices at the end of July was 15 per cent higher than last February's low. But this general increase conceals wide fluctuations in the gains that have been made. Farm products have risen 47 per cent, grains alone having risen 104 per cent. Cotton rose from 6 cents last February to almost 11 cents. The increase of 5 cents a pound, or $25 a bale, roughly indicates an increased purchasing power of almost $400,000,000 on the 16,000,000 bales of cotton held by merchants and producers in the South. Wheat prices at Chicago rose from 49 cents in January to a July average of 99 cents. As a result of this improvement, the total increase in the farmers' purchasing power during the last few months has been variously estimated at from $1,000,000,000 to $1,500,000,000.

This magic revival in business activity has many ramifications through the social, economic and political structure. The emergency relief administration reported that almost 500,000 fewer families required aid during June than in the previous months. In part these figures are sub-

ject to criticism, since they may represent not less need on the part of the families but a decrease in the ability of municipal, State and Federal governments to supply the need. Nevertheless, scores of municipalities have reported that the number of relief applications is not growing—a situation not without its effect on municipal finances, which, during recent months, have been heavily burdened with large unbudgeted relief costs. Public relief expenditures, which reached $80,000,000 in March, declined to $66,000,000 in June.

What has brought about so sharp a business revival in the months since the dramatic inauguration of President Roosevelt? Here we are on controversial ground. We may roughly allocate the recovery to three causes—the President himself, inflation and the recovery programs, though these factors cannot be precisely distinguished and separated, because they cross and intertwine. Minor elements have helped, but thus far the three mentioned constitute the best explanation we have of a most unexpected reversal in economic trends.

Even those who voted for President Roosevelt owe him an apology. Neither his record at Albany nor his campaign speeches fully prepared the country for what followed. Many voted for him as a protest against the Hoover wishful thinking, which permitted the country to drift toward disaster. Mr. Roosevelt was accepted as the lesser of two evils, not as the constructive force that he has become. In retrospect and in the light of subsequent events, his campaign speeches are weighted with meaning, but few people took seriously his declarations that purchasing power springs from a more equitable division between capital and labor of the fruits of production. When he spoke of action in place of promises, the assertion had a hollow sound that reminded a jaded country of other campaign promises which had remained only promises. When Mr. Roosevelt outlined his farm-relief program at Topeka a year ago, it was little understood in the East and was not taken seriously even by the farmers.

In civilized and sophisticated circles in America there is a taboo upon hero worship, especially of political leaders. Even when one admires and commends realistic action there is always the lifted eyebrow and the sad deprecatory coughing behind a raised hand which warns against excessive enthusiasm. But in the case of President Roosevelt there is a difference. Virtually all classes of society have now united to express unstinted admiration and unhesitating confidence. He had the country's faith behind him when he took the oath of office in the midst of what, in a sour jest, has been called the bank holiday; it was faith in things hoped for and yet to be realized. This attitude has developed into something still more important; the country now believes in Roosevelt's political integrity. It is significant that no one, not even among his opponents, has yet made the charge that his programs or activities are dictated by partisanship. There is agreement everywhere that the President has addressed himself whole-heartedly, with undivided motive, to the economic rehabilitation of America.

One may speculate on what might have happened if there had been no change in the administration last March. To be sure, believers in the "guidance of the unseen hand" argue that recovery was due and inevitable and that it would have come to pass, Roosevelt or no Roosevelt. The chief

basis for such a view is that we have survived every other depression and therefore would have survived this one. Such an argument might mean nothing more than that of the man with malaria who because he has recovered from several previous attacks expects to regain health again, despite the fact that a patient has been known to die after previous recoveries. Even if the theory of society as an organism has been exploded, the analogy does hold true in so far as capitalism is concerned. Not a few competent observers believe that the continued, unprecedented and destructive downward trend of the depression was leading to incalculable economic catastrophe. Possibly history will remember President Roosevelt as a man who was able to prevent the disaster, dislocation and distress of revolution by directing economic forces into evolutionary channels.

The second force for recovery has been the administration's promise of inflation. Statisticians, of course, can bring forth testimony to prove that there has been no inflation, that, on the contrary, there have been actual deflationary measures. For example, money in circulation has not increased; there has been no resort to the printing press, no huge purchases of government securities have been made by the Federal Reserve Banks; the regular budget has not grown; and the most orthodox methods have been followed in financing public works programs and in reopening banks. Moreover, in the elimination of weak banks, there has been a reduction of $2,500,000,000 in credit for the national banks alone, and it is estimated that an additional $2,500,000,000 is tied up in closed State-chartered banks.

All this is true; yet the country has noted that the administration has cleared the decks for control of prices and its action presages unwillingness to permit commodity prices to be slavishly fettered by gold. On this point the administration has been unequivocal. President Roosevelt told the World Economic Conference that "the United States of America seeks the kind of a dollar which a generation hence will have the same purchasing and debt paying power as the dollar value we hope to obtain in the near future. That objective means more to the good of other nations than a fixed ratio for a month or two in terms of the pound or franc." The President here placed on record his belief that economic rehabilitation in the United States is more important to the world today than any other measures, that the economic environment in which the World Conference was originally called to discuss tariff and currencies has changed and that higher commodity prices are now paramount.

A study by the Federal Reserve Board bears out the President's contention. From March 1 to June 1 of this year the average price of six international commodities advanced 60 per cent in the United States and world prices of these commodities advanced 30 per cent. The motivation of this advance in world prices is obscure unless we attribute it to the dominant industrial influence of the United States. Apparently the buying demand created in America by dollar depreciation has stimulated buying all over the world; the subsequent improvement in world industrial activity received its impetus from recovery in the United States.

The figures cited amply demonstrate that preparation for inflation has had a sufficient psychological effect to stimulate greatly industrial activity and to increase employment. Nothing

e administration's policies, in
of inactivity along currency and
lines, indicates that the Presi-
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it in operation. For the first
a decade the farmer has some
ce that his crops will bring prices sufficient to cover costs and leave him a return for his work. And so out in the prairie country, where the cows low through the still night, where the corn simmers through the heat of the day, where the women are weary and heavy-laden and drink Peruna, the perusal of mail-order catalogues is being resumed. The Fords once again are carrying families into Gopher Prairie, where the merchants are joyously ringing up sales. Throughout the rural area hope has been revived; the dread of foreclosure has been removed, and people are spending money.

For the cities, the President has prescribed the administration of NRA. Under it the principle of spreading employment without reductions in pay has been codified and legalized. Industries are adopting codes whereby their employes will work from 30 to 40 hours; the shorter week is expected to make mandatory the employment of more workers. Because of this provision, hundreds of thousands of workers have been replaced on payrolls. Child labor has been abolished. Minimum wages, varying from $12 to $15 a week, have been established—a boon to thousands of underpaid workers in the textile mills of New England and the South, in the sweatshops of New York, in the mills and mines of East and West. Thousands of girls who had been receiving $4 to $5 a week suddenly received pay envelopes of from $12 to $15—a veritable fortune—and, in addition, they have found that their working hours have been shortened. In return for these concessions to labor, industry is being permitted to regulate and adjust its production and is being promised higher prices.

It is not contended here that all is going well with NRA. The President has had his difficulties with the large

vested interests of the country. Compromises have been made with the financial powers controlling steel, oil, automobiles and coal. The administration's enforcement of the codes remains the enigma of the future. While the industrial gains thus far made belong to the pre-NRA era, and it is, therefore, unfair to attribute revival to NRA, there can be no question that the imminence of NRA has had an important effect in stimulating industrial activity.

Warfare between employers and employes is in the offing. Many memories haunt employers and workers alike. The bitterness aroused in ancient battles and by cruelties and exploitation during the depression, cannot die away in a night. The period of recovery from the depression—when the blazing lights from windows of mills running overtime are the welcome signs of orders coming in—is traditionally the time of battle between capital and labor.

Finally, there is the problem of balance. Production must not outstrip consumption. Payrolls must not lag behind the cost of living. The volume of production must be developed so as to keep unit prices down. Above all, prompt action is necessary along all lines so that the resources of corporations shall not be exhausted in higher operating costs without correspondingly higher operating income.

In brief, rècovery still faces its crucial test. The administration can boast of great achievement thus far, but a far more formidable task confronts the American people. The future is more dependent upon the patriotism and enlightened action of the public than upon the administration. Capital and labor must have larger vision; the public must have confidence, patience, resoluteness and wisdom. When portions of the program begin to fail, when dead cats begin to fly, then the nation will have reached the Rubicon.

II—The Roosevelt "Revolution"

By SUZANNE LAFOLLETTE

[A very different point of view from that of the preceding article is put forward in the following analysis by a leading radical of what has been called revolution initiated by President Roosevelt's recovery program. The writer, a cousin of the late Senator Robert M. LaFollette, was editor of *The New Freeman* and is author of *Art in America*.]

THERE is a strange air of unreality about the New Deal somewhat suggestive of adventure on a rocking-horse. President Roosevelt and his subordinates are attacking real problems—no doubt of that—energetically, enthusiastically, and with wonderful devotion to their tasks. But they appear to be no more aware of the economic implications of those problems than the public whose fears and desperate hopes they unquestionably represent. Their program thus lacks the coherence that understanding would give it, and the contradictions involved make the United States of America in 1933 seem like the world of Lewis Carroll, where anything is possible and nothing is real.

As one considers this appearance of unreality, one realizes that it is not strange at all. It is the distinguishing and perennial characteristic of lib-

eral thought and action. Self-deception is the primary requisite of the liberal mind. The liberal does not dare see the reality of the economic injustice whose effects make him so indignant. If he did, he would be obliged to admit that economic injustice should be abolished, not tinkered with; and for a complex of reasons ranging from self-interest to the chance that God may have made him a tinker by temperament, he does not want it abolished. He wants it "regulated in the public interest." His labor is accordingly out of all proportion to his results, and these are likely to be not at all what he expected. He is like a gallant St. George, trying not to kill the dragon but to pull a few of his teeth without hurting him. It is much more difficult, and the results are unpredictable.

President Roosevelt has been described as "the most radical man in Washington." From the radical point of view this is such faint praise that it does not do him justice. He is a radical in the American tradition of radicalism—that is, a radical by temperament and instinct. He is for the underdog and against the powerful interests that exploit the underdog. He is genuinely concerned for the fifteen million unemployed; he is genuinely concerned for the debt-burdened farmer victimized by low prices for his own product and high prices for the things he must buy. He is quite in the Jeffersonian tradition of radicalism in that he is instinctively on the side of the producing interest in society and against the speculating interest. But like Jefferson's, his championship of the producing interest is only instinctive. It is a far cry from instinctive radicalism to the radicalism which is inspired by an understanding of what economics and politics are really about. To put it concretely, there is a vast difference between having Wall Street investigated and setting out to abolish the economic system which makes Wall Street possible.

Mr. Roosevelt is far from wishing to abolish the economic system which involves the injustice against which he is tilting. Otherwise he would not be in the White House. The will to change in the American people, which he represents and which is the source of his extraordinary influence, is by no means a will to radical change. There is no widespread discontent with the existing economic system; there is only discontent with its inevitable working-out in hardship for the vast majority and enormous wealth for the few. Psychologically we are still under the spell of the freedom of opportunity offered by a vanished frontier. The nineteenth century took this freedom to inhere in our political and economic institutions, and the twentieth has not yet discovered its error. Thanks to the influence of this self-deception, nine out of ten Americans still believe that the system is divinely ordained and has only somehow fallen into bad hands from which some of its spoils must be rescued for the masses.

Let us not minimize the revolutionary feeling which unquestionably existed during the last years of the Hoover régime. One has only to remember the general satisfaction with the political and economic reaction of the post-war period to realize what an extraordinary change the depression brought about in the national temper, which may possibly have momentous consequences, unless renewed prosperity shall change it once more into complacence. But when the American public becomes revolutionary in feeling it cannot, so long as its peculiar attitude toward existing political and economic institutions remains unchanged, translate that feeling into any kind of

fundamentally revolutionary action.

This perhaps explains the paradox of Mr. Roosevelt. He is a liberal meliorist acting in a revolutionary situation which allows of nothing more fundamental than liberal meliorism. This is a point to be remembered, for the New Deal has been acclaimed all over the country, even in Europe, where people should know better, as a peaceful revolution which may end depressions, save the capitalist system and practically usher in the millennium. Only a short time ago as intelligent a man as Donald R. Richberg told the country over the radio that this was *the* revolution. Public opinion has been so assiduously and, let it be added, so injudiciously whooped up to this point of view that the hopes of the average man have attained a dangerous pitch of fervor, and the universal popularity which President Roosevelt enjoyed during the first weeks of his administration has become a popular idolatry which makes one fear for him when one remembers what William Hard called the "premature canonization" of President Wilson during the war, and what happened to him afterward.

It may just possibly happen that the New Deal will prove as disappointing as the war to make the world safe for democracy. It may prove as impossible to secure democracy by regulating the American plutocracy as it was to secure it by regulating the German autocracy. Mr. Richberg, in the radio address already mentioned, said that the New Deal was "a revolution not in purpose but in method." It certainly is not and cannot be a revolution in purpose. Purposeful revolution does not come about peacefully, for it involves separating the privileged classes from ownership and the power that vests in it, and people do not yield privilege and power without a struggle. One cannot foresee, of course, to what lengths or in what direction events may drive the public and the government, but at present it is quite just to say that the New Deal is another attempt to secure everybody's right to life, liberty and the pursuit of happiness by obviating the more onerous effects of the monopolistic system of ownership which denies that right. Mr. Roosevelt clearly expresses its purpose in his book, *Looking Forward:*

"I believe that the government, without becoming a prying bureaucracy, can act as a check or counterbalance of this oligarchy [the "few hundred corporations" and "fewer than three dozen banks" which control our economic life] so as to secure initiative, life, a chance to work, and the safety of savings to men and women, rather than the safety of exploitation to the exploiter, safety of manipulation to the manipulator, safety of unlicensed power to those who would speculate to the bitter end with the welfare and property of other people."

The method by which the President hopes to attain this highly desirable purpose, the method which has already been embodied in the Securities Act, the Banking Act, the National Industrial Recovery Act, is not revolutionary at all. Indeed, with all due respect to Mr. Richberg, there is no such thing as a "revolutionary method." Methods have nothing to do with values, and revolution is decidedly a matter of social values. Mr. Roosevelt's method is the old familiar one of government supervision and regulation, valiantly fought for from the day of this country's birth by a long line of liberals whose Pyrrhic victories strew the pages of its history. In the very nature of the situ-

ation it could never be anything else.

Why, then, is every one so hopeful? Because Americans are very slow to learn that it is economic relationships that govern political actions, and not political actions that govern economic relationships. This is another way of saying that those who own rule, and they rule because they own. In a political democracy they may appear to be beaten for a while, but in the end the victory is theirs because the economic power is theirs. They furnish the big campaign contributions; they can use their control of wealth to corrupt public officers; they can even use the people's money to corrupt the people's mind to their purposes, and they are welded into a united front against mercurial popular movements by "the cohesive power of public plunder." At present the owning oligarchy appears to be on the run. The collapse of the philanthropic pretensions with which it masked its unbridled theft, the amazing discovery that not a few of its revered leaders were little better than morons—these developments have served to discredit it in the public mind. But discredited as it is, it still owns—a fact wort bearing in mind as one watches the government's attempts to "regulate it in the public interest."

It is a tremendous economic power which Mr. Roosevelt is trying to "check and counterbalance," for it is concentrated in very few hands. There is, moreover, the curious spectacle of his trying to preserve it in order to check and counterbalance it, for he is continuing Mr. Hoover's policy of propping up with government credit the capital structure through which the American people is exploited. Let us not impugn his motive. As he sees it, the life of the country depends on the capital structure—the jobs of the workers, the savings of all the citizens, the profits of the industrialists and bankers and shopkeepers, the livelihood of the farmers, the incomes of landowners and bondholders. And it is quite true that the capitalist way of life depends upon the preservation of the capitalist system. The vast majority of Mr. Roosevelt's fellow-citizens see the thing as he does. They cannot envisage any other way of life. As Trotsky says, "society actually takes the institutions that depend upon it as given once for all."

But with the structure preserved unaltered, with its liens on production unrevised, it seems questionable whether the Forgotten Man is likely to share very handsomely in the New Deal. He will still be obliged to carry the heavy load of unearned income—on capitalized franchises, capitalized earning power, bonds issued to enrich underwriters, mortgages held at usurious rates of interest, overcapitalized land values. In addition, he must bear a tax burden which has mounted fantastically since the beginning of the century and has increased rather than lessened during the depression. Contrary to popular belief, all income, unearned as well as earned, and all taxes come out of the labor of the producing classes; there is no other source for them to come from.

Thus, at a cursory glance the New Deal looks like a plan to employ more workers at higher wages so that they can pay higher prices so that interest can be paid on inflated bond-issues, dividends on watered stock, and rents on inflated land values. This is certainly not what Mr. Roosevelt has been promising. Yet might not a stranger, watching the New Deal as it gets under way and not knowing its author's expressed intention to abolish

exploitation, be likely to assume that its primary purpose was to rationalize unearned income, which is to say, to stabilize the right of exploitation?

This may be challenged on the ground of the "peaceful revolution" supposedly proceeding under the National Industrial Recovery Act. One should be reluctant to attack this attempt to restore workers to employment if for no other reason than that it is meeting with resistance at the moment from some of the most ruthless of the exploiting interests, such as the steel trust and the coal operators. Moreover, it seems to be eliminating child labor, and we are emotionally stirred by that prospect even though intellectually we should realize that employers can well afford this apparently humanitarian gesture when adult labor can be had at wages as low as those provided in some of the codes submitted or already adopted under the act—codes which indicate that neither the employers nor the government officials have forgotten the sacred right of exploitation that inheres in ownership.

Here the obvious retort may be anticipated by remarking that the administration cannot demand higher minimum conditions than the employers will accept. If you are compromising with an exploiting system you have to respect the right to exploit.

We say to ourselves, "What must the exploitation of men and women have been during this depression if these minimums mean an improvement in their condition!" We know something of it, for official agencies have enlightened us from time to time. Women in Pennsylvania sweatshops have been reported as receiving less than $2 for two weeks' work. In the South the textile workers have lived in a state of virtual peonage for so long that a $12 minimum wage and a 40-hour week must seem like wealth and leisure to them. But while the government is raising minimum wages it is also trying to raise prices, and even holding inflation in reserve as a means to that end. Suppose the purchasing power of the dollar should drop once more to 50 cents—which seems not at all improbable—what then will be the condition of the worker who is now sure of a minimum wage ranging from $10 to $15 a week? One is reminded of the minimum-wage laws for women that liberal reformers have pounded through State Legislatures only to see them rendered valueless by a rise in the cost of living.

To be sure, the National Industrial Recovery Act gives the President dictatorial powers. It authorizes him not only to approve but to prescribe "maximum hours of labor, minimum rates of pay, and other conditions of employment." Theoretically he could use these powers to abolish the exploitation of labor; practically he could and would do no such thing. In order to do so he would have to prescribe wages and conditions of labor which would eliminate unearned income from production, and that would be to destroy the credit structure which the government is maintaining at the taxpayers' expense. Therefore he would not eliminate exploitation.

Besides, the sanctions provided in the act, although they would be ruinous to the little employer who ran foul of them, are by no means sufficiently severe to take the fight out of the owning oligarchy. Even with the whole weight of public opinion behind these sanctions, they have not made the steel trust and the coal operators afraid of putting up a nasty resistance to the "charter of labor" embodied in the act. The great captains of industry always have a trump card

in reserve. They can declare their inability to operate under conditions prescribed by the government, and close their plants, thus challenging the government to submission or to revolutionary measures. It seems pretty clear, therefore, that the President could not use his powers under the bill to abolish exploitation.

Viewed objectively, then, the administration's program looks like an attempt to rationalize and stabilize exploitation on a nationalist basis. Through subsidizing a reduction of acreage the government proposes to relieve the farmer from dependence on the export market; at the same time it is trying to raise the domestic price of agricultural staples through the processing tax. Thus the agricultural community is to be enabled to bear its annual rent burden of $700,000,000, meet the interest on its $8,500,000,000 of mortgages and pay monopoly prices for farm machinery. And the domestic market for agricultural products at higher prices, and for industrial products, too, is to be enlarged through the National Industrial Recovery Act, which by shortening hours of labor will bring about extensive re-employment—if production continues to improve—and by setting minimum wages for the workers re-employed will increase their buying power—if higher prices do not cancel the value of higher wages.

This program, of course, implies a continued policy of prohibitive tariffs, and prohibitive tariffs in turn imply indifference toward our $25,000,000,000 of foreign loans and investments and toward our dwindling foreign trade—implications of which President Roosevelt showed himself well aware when he refused to discuss economic problems at the World Economic Conference.

The attempt to increase employment by shortening the hours of labor is extremely interesting and significant. It is the only new thing, indeed, about the New Deal, with the significant exception of the spirit which animates it. Depressions can be lifted only through the opening up of new economic opportunities for the workers who have been squeezed out of their livelihood by licensed greed. In the past these opportunities have been furnished by free land or the rise of new industries. But for the past forty years this country has had no frontier; the industrial worker can no longer avail himself of the free opportunity to "labor the earth" for himself; nor has any industry arisen during this depression, as the automobile and radio industries have in the past, on a scale so large as to absorb enough jobless workers to start the whole productive mechanism anew.

The National Industrial Recovery Act is an attempt to provide a substitute for this means of renewing economic activity. It seems to be regarded by its advocates as a means of restoring equality of opportunity. If the New Deal is successful, it may work in that direction, though only, for reasons already adduced, toward equality of opportunity to be exploited. The fact that even this should at the moment seem like a tremendous social improvement is a terrible indictment of our economic system.

Significant as it is that we have in Washington an administration trying to fight the battle of the suffering masses against their exploiters, it is nevertheless unfortunate that more should be expected of its plan of campaign than is warranted by the plan itself and by the essential liberal meliorism of the American public and the administration. If the New Deal,

in spite of the spirit animating it, has here been rather mercilessly analyzed, it is because it seems important that we cease to expect miracles of it. If we do not delude ourselves with extravagant hopes, what is going on in Washington will be of great educational value in showing up the nature and workings of economic forces in this country. If we regard the New Deal as at best a first halting step in the general direction of revolutionary improvement, instead of *the* revolution sprung full-panoplied from the brow of Mr. Roosevelt, we may save ourselves some disagreeable surprises.

Many people believe that the New Deal is fascism. It is not. Fascism implies crude force, not moral suasion and gentle sanctions. But it could conceivably take that direction. The logical last stage of liberal "regulation," as exploitation becomes more ruthless and class lines tighten, is fascism. If Mr. Roosevelt's program should have to meet the test of reverses, if the recent general improvement in business should prove to mean, not that we are on the upswing of the old cycle of prosperity and depression but only that industry had been working overtime in order to get ahead of the National Industrial Recovery Act, then Mr. Roosevelt, faced with a recurrence of depression and the industrial disturbances which would ensue, might find himself leaning toward fascist tactics, for it is your instinctive radical who is apt to become fascist as the economic and political structure collapses under the weight of its own corruption. Hating the greed of ownership, and yet being either too ignorant, too afraid, or too interested to attack the basis of ownership, he simply does not know what else to do.

The present improvement in business may, of course, continue. In that case Mr. Roosevelt will be triumphantly re-elected three years from now, and no one will ever know or care how much the upswing was due to the enforced abandonment of the gold standard with which it started, and how much it was due to such measures as the allotment plan, NRA or an elaborate public works program like that which the British Government found so expensive and so futile in reducing unemployment. One can, however, be reasonably sure that, if prices continue to advance, the National Industrial Recovery Act, even assuming it can be made 100 per cent effective by a "prying bureaucracy," will come more and more to have the aspect of a mere share-the-work program, unless the minimum wages provided in all the codes are constantly revised upward. If prices break and the depression settles down once more, it will not be even that.

The New Deal seems likely to fizzle out either into the spotty prosperity of the next business cycle or into a new phase of depression. If it is depression, it would be interesting to watch Mr. Roosevelt trying to impose fascism upon an owning oligarchy not sufficiently scared by a strong radical movement to accept it without fighting. But it is hard to believe that we shall witness that spectacle. Mr. Roosevelt is probably not the kind of man to put up a ruthless fight; even if he were, he has not the popular organization to back him. Fascism is more than the perverted radicalism of an individual. It is the perverted radicalism of a militant political party.

The Downfall of Machado

By HUBERT HERRING

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ON Saturday afternoon, Aug. 12, 1933, an amphibian plane took off from the General Machado airport, fifteen miles from Havana, bound for Nassau, capital of the Bahama Islands. The passengers were General Gerardo Machado y Morales, President of Cuba since 1925; José Izquierdo, Mayor of Havana and organizer of Havana's meat, milk, omnibus and sundry other rackets which had made millionaires and built stone houses in the Vedado; Octavio Averhoff, Secretary of Finance and shrewd abettor of Machado's régime; Captain Crespo, who had reduced killing to a fine art, and one Molinar, who served Machado as a glorified valet and general factotum. Two days earlier Machado had declared with fervor that he would not desert Cuba, that he would live and die in Cuba, that he would never prove faithless to Cuba's liberties.

The abdication of Machado came as the dramatic and inevitable conclusion of eight years of rule, culminating between Aug. 4 and Aug. 12 in eight days of swiftly moving comedy and tragedy. On Aug. 4 a general strike began throughout the island. The omnibus operators struck first against the racket organized by "Pepito" Izquierdo under which each omnibus paid a toll of a dollar a day. Izquierdo retreated, but no one was interested in a settlement. Ostensibly in sympathy with the bus men but actually as a blow against Machado, the strike quickly spread and brought out the bakers, the waiters, the chauffeurs, the hotel employes, office workers, harbor workers, garbage collectors, postal clerks, railroad and telegraph workers, even some of the physicians. By Sunday, Aug. 6, there were no street car, taxicab or railroad services; there were no newspapers, no mail deliveries, no national telegraph service; hotels were open but practically without service; it was virtually impossible to buy a meal or a cigar or a postage stamp. The police kicked open shop doors, but they were closed as soon as the police passed on. The people of Havana folded their arms and waited. There was but one explanation. The strike was against Machado. The people had taken the decision out of the hands of the President and Congress and the American Ambassador.

The very quietness aroused Machado to fury. There were no demonstrations, no outcries. There was little food but no complaining. Then Machado decided to force the public to violence. On Aug. 5, automobiles loaded with members of the Porra, Machado's violence squad, raced through the city, firing guns into the air. Still no answer. The Porra started a new manhunt for Oppositionists who had returned under the guarantee of the government, but who had been warned and were again in hiding. On Monday afternoon, Aug. 7, there was a faked announcement over the radio

that Machado had resigned and that the people should go out into the streets and show their joy. It was the work of one of Machado's agents. The word spread like wildfire; the people poured into the square before the Capitol, four or five thousand at least—a shouting, tumultuous crowd, yelling "Down with Machado" and "Long Live Free Cuba." The Porra appeared, firing into the crowd, killing twenty and wounding eighty. The crowd scattered. Some went down toward the palace where they were met by soldiers. There was more firing and more people were killed.

I saw this killing. There was no excuse for it. It was sheer wanton murder. The crowd was orderly and could have been dispersed with a fire hose. Machado was bent upon arousing the populace to violence, but in vain. The people folded their arms; a terrifying calm settled upon the city, a calm which persisted day after day from Tuesday to Saturday. All the week the murdering continued. Porristas ranged through the streets in armored cars letting shots fly at little or no provocation. Ainciarte, the chief of police, in a rage, drove about like a madman, in his armored car, machine gun mounted. To walk through the city streets—and it was impossible to buy a ride—was an exciting adventure. But there was virtually no hysteria.

In the meantime Sumner Welles, the American Ambassador, was working night and day for a solution which would hold American interference to a minimum. On Monday, Aug. 7, he presented a memorandum to President Machado which represented his judgment as the mediator, in other words, in the rôle under which he had been accepted by Machado as well as by the majority of the Opposition. This memorandum, the reasoned conclusion of the accepted mediator, proposed a formula under which Cuba could escape grievous blood-letting and under which Machado and his aides could save their faces and decorously retire. Machado, under its terms, would name as his Secretary of State a man acceptable to all parties, including those of the opposition, this appointment to be immediately followed by Machado's departure on a leave of absence. The newly appointed Secretary of State would then assume the Presidency, appoint a Cabinet national in character, and take up the task of restoring peace. The Ambassador requested immediate consideration of this proposal, while sedulously avoiding the terminology of an ultimatum.

President Machado's response was blind fury. He went on the air, talked grandiloquently of the Cuban war for liberty, of the irresponsibility of the American Ambassador. He called Cuba to a new crusade against imperialism. The people remained silent, shared each other's rapidly diminishing stores of canned meat and dried fish, and refused to work, sell or buy.

Rumors began to circulate that the American gunboats were coming. Men and women on the roofs of the houses lining the Malecon watched with field glasses. The fear of American intervention played upon by every Cuban politician gave way to an eager longing that the American marines might come. It seemed the only hope for a situation desperate in its actualities, more desperate in its possibilities.

The American Ambassador was sorely pressed. He undoubtedly had the authority to summon the gunboats when in his judgment they should prove necessary. Nevertheless he waited. Monday with its holocaust; Tuesday, Wednesday, each with a new

toll of death and the threat of anarchy. Bitter denunciation of the Ambassador was heard. Cubans argued that this man, sent to bring help, was doing nothing. They said, "He cares only for his career." Pressed with the question, "Mr. Ambassador, will there be intervention?" Mr. Welles had one answer, "I hope not."

On Friday afternoon, Aug. 11, the deadlock broke. For some days the younger army officers had been preparing a *coup d'état*. The first to take action was Lieut. Col. Erasmo Delgado, second in command at the Cabañas fortress, facing Havana from the opposite side of the harbor. Delgado, quietly and without contest, took command of the fortress. Then with his men he moved over to the Havana side and took control of the Castillo de la Fuerza, army headquarters. Not a shot was fired. General Herrera, Secretary of War, was summoned and ordered to bear the message to President Machado that he had forty-eight hours to get out of office and out of Cuba. Herrera at first refused, but the officers persuaded him that his refusal would be of no avail, that the officers were convinced Machado's course would bring American intervention and that the only hope for a peaceful solution of the problem of Cuba by Cubans lay in his immediate retirement. Herrera was ordered to notify the President that the guns of Cabañas and the Castillo were trained upon the Presidential palace and that in the event of the President's refusal fire would be opened. The army occupied the city; machine guns were placed in position and the decision of the President was awaited.

The President, faced with the army's ultimatum, refused to capitulate. With Herrera and other aides he rushed to Camp Colombia, outside the city limits, and attempted to rally the loyalty of his officers. They listened, and then Colonel Julio Sanguilly spoke for the group: "With all respect, General, you must resign by noon tomorrow." It was the end. On Friday night he fled to his estate, Nenita, where he was kept under heavy guard. On Saturday morning he received the resignations of all his Cabinet officers except General Herrera. He signed his own leave of absence and also his resignation, the letter to be held in reserve. An outright resignation was not desired, as under the Cuban Constitution it would involve a new election within sixty days. Such an election is an impossibility in Cuba's disrupted political condition.

Herrera automatically became Provisional President. There was then the question of a man to fill that post during the coming months until an orderly election could be held. The army refused pointblank to accept Herrera, as they realized that this would precipitate violence and bloodshed. They insisted upon a civilian. The choice fell upon Carlos Manuel de Cespedes. Herrera appointed Cespedes as his Secretary of State and then signed his own resignation and withdrew, leaving the field clear for Cespedes to appoint a Cabinet, national in character, and to proceed to the pacification of the island. At 10 A. M. on Saturday, Aug. 12, the guns of Cabañas boomed with the Presidential salute and Havana went wild with a joy which no words on cold paper can describe.

The news spread. People streamed into the streets—men, women and children, black and white. There was a peculiar quality to the cries of joy. They were the cries of people who had lived under the most loathsome tyranny and their shouts had an undertone which was almost a sob. The streets were alive with soldiers, but overnight

the army had become the friend of Cuba. The army had thrown Machado out. "Long live the army!" was shouted again and again. All were eager to share their joy. They slapped you on the back and said, "He is gone!" and you shouted back, "Yes, yes, how fine!" and "Viva Cuba libre!" Time and again I was met with the cry, "Americano, Machado has gone!" We Americans were popular in Havana on this memorable Saturday, for the American Ambassador shared honors with the army.

The ABC, secret revolutionary society, came into the open. Automobiles loaded with men and women, bearing the banners of the ABC, drove madly through the streets, loudly applauded by the crowds. ABC members and soldiers embraced each other.

Suddenly a volley of shots was heard from the Prado. The crowd closed in. Antonio Jiménez, founder and chief of El Partido de la Porra, the picked body of criminals who carried out Machado's murder orders, the men who killed the students in cold blood in Havana streets, the men who broke into the houses of the Oppositionists and killed without explanation and without trial—this man Jiménez had been cornered like a rat. Soldiers riddled his body with bullets and the ABC hoisted his corpse into a car and paraded the streets. A few minutes later another member of the Porra was seen by several persons in the crowd. The cry went up, "Porrista, Porrista!" A soldier riddled him with bullets. All day, late into the night, this went on. Later the roll was tabulated—18 dead, 90 wounded.

Early in the day looting began. Thousands descended upon the Presidential Palace, forced their way into the lower floor, smashed furniture, carried away food. They went into the gardens and tore up trees and plants. A sign "To Rent" was hung on the main entrance. They streamed back up the Prado into Central Park, carrying bedposts, pieces of chairs, banana plants, bushes, flowers.

All day long the sacking of houses went on. Several thousand gathered at the palatial house on the Malecon of Octavio Averhoff, Machado's Secretary of Finance, dilettante, scholar, fastidious collector of fine books, sculpture and pictures. They destroyed or damaged furniture, pictures and china, threw books out, broke down doors, threw the débris into the street. The crowd was not chiefly interested in looting. Time and time again, when some one started to carry away a piece of furniture which was intact, he would be met with the cry, "No, no, it is dirty, dirty," and the axe would fall upon it. The streets were alive with people bearing broken pieces of furniture, a fragment of a mirror, anything, everything. These were souvenirs, not plunder.

Out in the Vedado, most luxurious of Havana's suburbs, was the house of Carlos Miguel de Cespedes, one time Secretary of Public Works, Machado's partner in plunder. This Cespedes, not to be confused with Carlos Manuel de Cespedes, President, had his hands on lucrative concessions—the race track, the casino and the public bathing beach. His house was one of the most ostentatious in Havana. A crowd of 2,000 gathered there on Saturday at noon and broke everything in it. When their fury could contrive no new destruction they sprinkled gasoline over the building and set fire to it. They then turned to Cespedes's yacht in the Almendares River and burned it too.

The same fate met the houses of Secretary of the Interior Zubizaretta, Senator Wifredo Fernandez, "Pepito" Izquierdo and of numerous Congress-

men and Porrista chieftains. Twenty-eight houses were sacked, eight were burned. The spirit of the crowd was not dour or heavy, but light-hearted, even flippant. It was revenge, but joyful revenge.

The building occupied by the Machado newspaper *Heraldo de Cuba* was sacked. This paper had done much of Machado's work for him. If reputations were to be destroyed, *Heraldo* was given the job. If propaganda was to be spread, *Heraldo* did it. The crowd made short shrift of *Heraldo.* Offices were looted, typewriters and filing cases pitched into the street, the linotype machines and presses smashed and the place gutted. Heavy rolls of print paper were rolled down the streets.

The crowd struck at everything with which the name Machado was associated. A grocery firm owned by Machado furnished supplies to government establishments with immense profits to the President. Its plant was wrecked. Machado's barber mysteriously controlled a string of pornographic theatres, and the barber shop and the theatres were looted and wrecked. Izquierdo, loyal sycophant, had renamed Twenty-third Street Avenida del Presidente Machado. Every cement post bearing this new inscription was torn down. On the Malecon an obelisk of granite had been erected in honor of President Machado. By noon students with crowbars and pickaxes were tearing away slabs which bore the dedication to Machado. By nightfall student stone cutters had carved a new inscription, *A las Victimas del Machadato—El Pueblo*—(The people's dedication to the victims of Machado). New signs had gone up all along the street, Avenida Rubiera—in memory of the student Juan M. Gonzalez Rubiera who fell on Dec. 31, 1932, as one of the thousand victims of Machado's fury.

So came to an end Cuba's fateful week. The events in Havana were duplicated in less degree all over the island. In the outlying cities the houses of Machado's henchmen were sacked; there were killings and riots. It is, as yet, impossible to secure accurate figures. The toll for Havana during the week stands conservatively at about 75 dead and 200 wounded, with 28 houses sacked and 8 burned.

On Sunday morning, Aug. 13, the new government turned to the difficult task of pacification. As I write these words, this reconstruction program has been in progress ten days and order is slowly being restored. There have been shootings and manhunts during these days. Forty or more Porristas have been rounded up and are in the cells of El Principe formerly occupied by political prisoners. Ainciarte, former chief of police, bitterly hated for a long list of political murders, was tracked down and committed suicide. A score of men, special targets of popular rage, have managed to slip out of the country. There will undoubtedly be swift death for many more who shared in the responsibility for Machado's reign of terror. Student leaders and others freely admit that they will not be content until retribution is meted out to the men who participated in the wanton terrorism of the past eight years, whether those men live under the flag of Great Britain, of the United States or of Cuba. It is an understandable fury but it will retard the work of national rehabilitation. Today, ten days after that riotous Saturday, a volley of machine gun fire is heard a few blocks away. It is not serious—simply the soldiers firing into the air to scare off a crowd of 500 intent upon sacking

the house of General Alberto Herrera who fled to Jamaica last week. This is the atmosphere under which the new government works and restores order.

The personnel of the new government is reassuring. President Cespedes has organized a Cabinet representative of all factions of the Opposition. The President himself has a name with which to conjure. His father, Carlos Manuel de Cespedes, revered as the father of Cuban independence, was the instigator and leader of the war of 1868 against Spain. His mother had been deported by the Spaniards to New York, and there the son was born on Aug. 12, 1871. He has been a lawyer, writer, diplomat. He has represented Cuba in Italy, Argentina, France, Mexico and the United States. He has served under virtually every administration and has been a part of none. His very aloofness from the Cuban political scene fits him for his new task. Whether he has enough personal force to hold the dissident minorities in line, whether he can handle the political crooks who are already swooping down upon him and can unite the aroused public sentiment for a cleansed political life, remains to be seen. It will take a strong man to lead Cuba through the next few months. That President Cespedes is thoughtful, intelligent, conciliatory, becomes clear even in the course of a twenty-minute interview. Short in stature, shy, diffident, he conveys the impression of reserves of energy and conviction, which, until now, have not been called upon. One thing he said to me reveals the man: "I am one of the older men of Cuba, one of those who fought in the nineties. We of that generation failed to give Cuba what she must have. We must make room for the younger men. It is their turn to prove what they can do."

President Cespedes's choice of a Cabinet proves that he means what he says. It is a Cabinet dominated by young men. There is Joaquín Martínez Saenz as Secretary of the Treasury, a lawyer in his early thirties. If one man can be said to have founded the ABC, the militant organization whose members have been hunted down, murdered or driven into exile by Machado, Martínez Saenz is the man. Cool-headed, brilliant, incorruptible, he has been set to guard Cuba's depleted Treasury. Then there is Carlos Saladrigas, Attorney General, who, like Martínez Saenz, is a lawyer in his early thirties and a leader in the founding of the ABC. Saladrigas has solid ability, stubborn patriotism, and these qualities will be needed in his new office. He must take the lead in cleansing the national judiciary, for eight years prostituted by Machado, in restoring the orderly enforcement of justice, in prosecuting those who rifled the Treasury during the Machado régime and in recovering some of the money which they took. There is Guillermo Belt, not yet thirty, appointed as Secretary of Public Instruction. His ability is untested, but it is significant that the point of view of a young man is to be given a chance in formulating the educational program for the island.

The other posts in the Cabinet have gone to men of a high average of ability and promise, and in every case to men whose integrity is unquestioned. The Secretary of the Interior is Federico Laredo Bru, leader in the Unión Nacionalista. His record is clean, although not brilliant. The Secretary of Public Works is Eduardo J. Chibás, an engineer of long experience, a devoted and generous participant in every significant movement in Cuba for the past twenty-five years. The Secretary of Communications is Nica-

sio Silverio, representing the OCRR sector of the opposition; he is trusted, although his ability is unknown. The Secretary of Public Health is Dr. José Antonio Presno, a greatly respected physician and a member of the group of professors who formed an effective sector in the opposition. The Secretary of the Army and Navy is Demetrio Castillo Pokorny, a West Point graduate who occupied the same position under Menocal. It is certainly the most honest and may prove to be the ablest Cabinet that Cuba has had. Whether its honesty will be matched with adequate political sagacity has yet to be seen.

Under the impact of a general strike, under the implied if not actual threat of armed intervention by the United States and with the resulting mutiny in the Cuban Army, the government of General Machado is gone and a new government is taking up the task of restoring peace and binding up the broken economic and political life of the island.

Three factors lie in the background of the abdication of Machado. First, there was the régime of Machado himself. It is not necessary to recount the wanton terrorism and criminal recklessness which made his downfall inevitable. That story is well known.

Second, there was the attitude of the Hoover administration, which leaned over backward in its policy of non-intervention in Cuban affairs. Under this policy, Ambassador Harry F. Guggenheim was placed in an utterly untenable position. Nominally he was the accredited representative of one sovereign nation to another. He acted consistently and honestly upon that theory. In the meantime, American banks continued to make loans without which Machado could not have lasted ninety days. Those loans would not have been made without the tacit assumption that the power of the United States would prevent repudiation of the Cuban debt. Acting upon this official American policy, Mr. Guggenheim could not, and did not, deliver ultimatums. When men and women came to him with the word that friends and relatives were threatened with death, he could not demand, but simply request, mercy. This he did, time and again. These requests were repeatedly ignored. He went to Ferrera, Secretary of State; he went to Machado himself, begging mercy for specific individuals. In one instance he was promised at 11 o'clock in the evening that the man would be spared; the next morning the man was found dead in a street in the Vedado, because the Ambassador requested rather than demanded. Mr. Guggenheim, because of his attitude, an attitude made inevitable by the position of Washington, was bitterly assailed by Cubans.

Third, the economic collapse contributed. The decline in the price of sugar to a low point of .57 cents, with the steady pauperization of the great bulk of the population, made inevitable the downfall of the government.

When Sumner Welles was sent to Havana early in May it was clear that Washington had decided to help Cuba in eliminating Machado. The wisdom of this appointment soon became apparent. Mr. Welles had the task of intervening without intervention, of mediating without coercion, of playing the friend to Cuba without wielding a club. Within six weeks after his arrival in Havana the main lines of his formula were revealed. Its promulgation came in an address by President Machado to the Cuban people in which he announced that he favored constitutional reforms and, specifically, the

restoration of the office of Vice President; that to secure these reforms he would assure all parties full security and that he would urge upon Congress the enactment of the necessary legislation, including the calling of an election for a Constituent Assembly which would ratify the reforms. This was the substance of the President's speech, and it revealed that he had been well schooled by the Ambassador.

The course of the mediation opened auspiciously and for five weeks it seemed possible that Cuba would work out an amicable settlement under constitutional and orderly forms. It meant that the amenities and the legalities of the situation would be observed, the least possible affront to Cuban sovereignty offered, the forces making for stability safeguarded and an opportunity given Machado to retire more or less gracefully from the stage upon which he had played such an atrocious part. That there was a break was due to two things—Machado's double-dealing and the general strike.

The mediation formula contemplated these steps: (1) The offer of mediation. Mr. Welles's services as mediator were accepted by the government parties, by the ABC, the Unión Nacionalista, the Gomez group and the professors. The Menocal group and the students refused to join. (2) The meeting of the Opposition representatives to agree upon Constitutional reforms. This was actually carried out and agreement was reached. (3) The meeting with the government groups in order to put these reforms into definite shape. This was being done when the strike intervened. (4) Action by Congress on the proposed reforms and the calling of the Constituent Assembly required for the approval of constitutional changes. (5) A six-month period culminating in the election to the Constituent Assembly. This period would give a breathing space in which old parties would reorganize, new parties emerge. (6) The election and the convening of the Constituent Assembly for the ratification or rejection of the constitutional changes. (7) The election of a Vice President. (8) And implied but not specified in the plan—the retirement of President Machado.

The plan was blocked by Machado's faithlessness. After assuring exiled Opposition leaders of their safety, he harassed and threatened them. After assuring Ambassador Welles of his desire to cooperate, he built up a barrage of opposition in Congress. By Aug. 1, an atmosphere of distrust surrounded the mediation proceedings. The general strike which broke out on Aug. 4 brought the whole plan to a standstill.

Now, after an interruption of three weeks, the new administration is eager to take up the lines where they were laid down, to proceed to the adoption of constitutional changes, to call the Constituent Assembly and to complete the program of reform. The chief obstacle is the fact that there is no Congress. It is hard to find a Senator or a Congressman. They have fled to Florida, to Jamaica, or they are in hiding in Cuba. If the mediation and reform program are to be carried out in legal fashion, some way must be found of gathering a quorum of these legislators and of leading them to the expensive chambers of the Capitol. The situation is complicated by the fact that no one in Cuba has the slightest desire to see these men again. The new President has the knotty problem of coaxing the old Congress out of hiding or of creating a new one in some fashion still to be evolved.

The balance sheet of Cuba's tangled situation cannot be neatly tabulated.

1. There is the question of national

finance. Pilfering from the National Treasury proceeded at a faster pace during the last weeks of Machado's rule, but the exact condition has not yet been made clear. The new administration found $3,000,000 in the vaults. On June 30, Cuba's external debt stood at $165,000,000, but there was a floating debt—chiefly arrears in salaries, pensions and payments on public works—of $48,000,000. This floating debt has increased by several millions since June. The probable income of Cuba for the coming fiscal year is not more than $43,000,000; $11,500,000 is earmarked for service on the external debt and $8,000,000 for the army. This leaves less than $25,000,000 for the support of the government, the schools and the public services.

The new administration faces a number of immediate problems. The first of these is the imperative necessity of paying current and accrued salaries to the army, the police and other public servants. This is necessary from the standpoint both of justice and of expediency. The army must be paid if stability is to be assured. To meet these payments, money must be found immediately. Apparently an emergency loan of $12,000,000 or $15,000,000 will be necessary. Without security the banks will not grant it. An effort will be made to arrange such an emergency loan with the help of the American Government. No matter how such a loan is arranged, there will be bitter criticism from many Cubans.

The next problem is that of the external debt. There will be a strong demand for a moratorium on all principal and interest payments, or at least for discrimination between the earlier loans and those made in 1930. There is a strong sentiment among Cubans that, while the earlier loans were made conservatively and on ample national security, the later loans were made recklessly to a government dominated by an irresponsible dictator. They argue that the banks took a gambler's chance on the 1930 credits of $80,000,000 and that they must be told to wait. The balance outstanding on the earlier loans is $54,500,000, with annual interest and sinking fund payments of $6,600,000. This, say responsible Cubans, can be paid, but the payments on the other loans must be deferred. It seems clear that there must be a moratorium of some kind.

The third factor in the economic situation is the need for an agreement with the United States on the sugar question. It seems probable that Cuba will be allotted 1,700,000 tons as its quota under the American agreement. With any substantial improvement in American business conditions, it is estimated that Cuba should sell an additional 300,000 tons in the American market. Cuba consumes 200,000 tons of her own sugar and can count with confidence on selling an additional 800,000 tons to the rest of the world. If these estimates prove correct and Cuba is assured of a stabilized market for 3,000,000 tons of sugar, her economic life will rapidly improve. There is also the question of a revision of the commercial treaty with the United States and an increased preference under the American tariff. The Roosevelt administration evidently plans such assistance, but the exact terms have not been announced.

2. What is to be done with the army? The officers deserve credit for insisting upon a civilian government. The old Generals are largely eliminated. Younger men are in control and, while not conspicuously intelligent, are loyal to the new régime. So far as the rank and file of the army is concerned, it is purely a mercenary

organization held together by regular pay and vigorous discipline. If either pay or discipline lag, the Cuban Army might prove a threat to stability.

3. Labor is restless. The general strike is over, but there are still large groups of men who refuse to accept any settlement. They have had the harbor tied up, seriously crippling economic life. A temporary settlement has finally been made, but it is little more than a truce. Communist influence is marked. The Communist group in all Cuba probably numbers not more than 500 men, but, thanks to Machado's virulent attacks upon all unions, labor organization has been carried on under cover. This has given the Communists their chance, and they have secured positions of leadership in the unions. Authentic reports from Santiago, Cienfuegos and Manzanillo indicate that the same situation prevails in those cities as in Havana. Cuban Communist tactics are, as always, obstructionist. They will do their best to nullify the first promise of decent government which Cuba has had in many a year.

4. The Cuban press is enjoying its liberty. It is exciting these days to read *Diario de la Marina, El Mundo* and *El Pais*. They have been muzzled so long that they are making a holiday of freedom. At present they are busy recording the crimes of Machado. When they tire of that they will probably turn to rending each other and to fighting over the spoils of politics. *Diario* is an excellent paper, well edited, thoughtful; *El Mundo* is dull; *El Pais* is sensational. At present all three are active in support of the provisional government, but they are united by their common hates rather than by their common hopes. It remains to be seen what part they will play.

5. The reorganization of the old parties is important. For eight years the Conservative, Liberal and Popular parties were owned by Machado. No independent and self-respecting leadership was permitted. The Conservatives will now emerge with strong leadership; the Popular party will disappear; the Liberal party will be a prize to be fought for. Two contestants are bidding for control of the Liberal party—Alfredo Hornedo, owner of *El Pais,* a man with Presidential ambitions, and Miguel Mariano Gomez, ex-Mayor of Havana. The *Unión Nacionalista,* of which Carlos Mendieta is the chief, has a large popular following. Not much is to be expected from these old parties. The leaders are the old men, *los Hombres del* '95, as the ABC delights to call them. They are yesterday's patriots, the men who fought Spain and suffered under Weyler. Many of them are honest, but they have lost faith. They know all the phrases of patriotism, but they can no longer lead. Chief among them, and the most formidable, is ex-President Mario Menocal, returned from his exile in Miami. He is shrewd, an adept in political manoeuvring and can be counted upon to embarrass the provisional government. Carlos Mendieta has patriotic fire, is honest but unimaginative. Miguel Mariano Gomez is a young man, but by instinct belongs to the older school of politicians. Both Gomez and Mendieta have an excellent chance of election, but neither offers much promise.

6. Will new parties emerge? Here is the unknown factor in the political situation. There are several groups which can be definitely counted upon to break away from the solid ranks of the older parties. There are the ABC, the secret revolutionary group, the university students, and the university professors. These groups are not united. The students lean defi-

nitely toward the Left, demand direct and decisive action against all malefactors and are weak on the constructive side. They are feared as a disruptive force, but there is much ability and genuine idealism among them. The professors' sympathies are divided between the students and the ABC.

The ABC is the dominant group among the nonconformists. Its banners are everywhere, and it is hailed with enthusiasm. The extent of its membership is unknown, but it includes many of the ablest young lawyers, physicians, professors, writers and business men. It is the most hopeful group in Cuba. Its manifesto, issued last December, stands as the most memorable document to come out of the dark years. It is a call to a new nationalism. Its economic analysis is searching. The ABC is neither Communist nor Fascist. Its manifesto reveals a faith in democratic institutions which sounds strange in these days. The ABC believes that Cuba can establish mastery in her own house, reconstruct her economic life, cleanse her political life, and make for herself a firm place among the American republics. It is hard to prophesy about the ABC. There is ability and honesty and patriotism in it. It has captured the imagination of the Cuban people. It remains to be seen whether it can dramatize and organize around its banner. It should emerge as the party of national regeneration. If it does not do so, Cuba will be left to the uncertain leadership of the old guard.

7. The rôle of the United States cannot be ignored. We have again intervened in Cuba. No marines walked the streets of Havana, but they would have done so had Machado resisted. Machado knew it; the army knew it; the last small newsboy in the street knew it. The Cubans forced Machado out, but Ambassador Welles arranged the stage so that it could be done.

This is not a criticism of Mr. Welles. There was an unpleasant job to be done, and he did it with the maximum of wisdom and good taste, with the minimum of affront to the pride of Cuba. The job had to be done, for the dictatorship of Machado sprang logically and inevitably from the kind of Cuba we had helped to create. Machado was possible because Cuba has not been free. The Platt Amendment served to produce a servile State. It has yielded neither political nor economic self-respect. The constant threat of intervention paralyzes every force of decent citizenship. Machado was the *reductio ad absurdum* in personal form of the inept rule of the past thirty-five years. In helping Cuba to banish him, we were but confessing our share in the responsibility.

There must be something beyond confession. There are signs that the Roosevelt administration proposes a revision of the permanent treaty, stripping it of the provisions which have made constant intervention permissible or inevitable, and offering to Cuba a genuine opportunity to build self-respecting political institutions. Cuba has never been a nation. There are those who say that she cannot aspire to a dignified national life. This is not the note which is heard in Cuba today. Many of her best and ablest sons are demanding the chance so long withheld. The clipping of the Platt Amendment is the first step in this direction.

HAVANA, Aug. 23, 1933.

The Crumbling British Empire

By F. C. S. SCHILLER

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ONE of the advantages of long-distance prophecy is that the prophet of evil is usually well out of the way, in his grave, before his prophecies can be fulfilled or fail. Whether they come true, therefore, or are falsified, he cannot be called to account. He gives away the advantages of this position, if he returns without need to the subject of his predictions, and so draws attention to his possible failures. Nowadays, however, events move so rapidly and the course of history has acquired such momentum that a modern Cassandra runs real risks of experiencing the truth of her own predictions.

Accordingly, I should not have been surprised to be called upon to justify the warnings I propounded, only eight years ago, in a little book in the Today and Tomorrow Series, called *Cassandra, or the Future of the British Empire*. I should be astonished rather at the uncanny speed with which my gloomiest vaticinations were coming true. Already Cassandra's difficulty is no longer that of finding some one to believe her prophecies and to heed her warnings; it is rather that of finding some one who disbelieves her and yet is willing to avert the disasters which are clearly seen to be impending. The world is in a bad way, but it is not at present suffering from a lack of foresight; it has a clear perception of its danger, but this is rendered vain by a paralysis of statesmanship.

In *Cassandra* I had declared that "three great dangers clearly beset the future of the British Empire, each of them affecting and aggravating the others. The first is the labor problem in Britain, the second is Britain's European entanglement, the third is the permanent strain which this puts upon the cohesion of the parts of the empire." Has anything happened in the last few years to modify this forecast? It can hardly be denied that these three dangers have all developed enormously, and that now they completely overshadow the political landscape. Let us take them in order.

As regards Labor, the unemployment problem, in Britain as elsewhere, has grown completely out of hand. Instead of one million unemployed, we now usually have three. Thousands of young people are everywhere growing up who have never done a stroke of honest work in their lives, have never had a chance of doing such work and, humanly speaking, never will have. Society simply has failed so to train them, and to organize itself, as to be able to employ them. Nor are they compelled to take such work as is available, like domestic service, or building houses and roads, or a thousand useful things that could, and should, be done, if the labor were available. They live, miserably enough, on the dole, or, more officially, on the "social services" which the politicians have provided for the voters, and they constitute not only an economic bur-

den but a political danger. In Germany they form the irresistible force behind Hitlerism and have established a reign of terror, but to all appearance our British politicians are as blind to the signs of the times as were the German parliamentarians.

So the old problem of the idle rich is now utterly dwarfed by that of the idle poor. Nor is there any remedy, because no politician of any brand (with the exception of Austin Hopkinson, whose voice may now and again be heard crying in the wilderness, which is the House of Commons) will either face the facts or educate his constituents to distinguish between measures that can cure and those that must aggravate the evils of the situation.

As measures of the former kind one might mention, first, the shortening of the hours of labor, a concession which the employers of labor owe not only to their employes but also to themselves and to humanity. If it were universally enforced by law, it would not enable any employer to steal a march upon the rest, while if it were accompanied by an organized system of shifts, it would not necessarily diminish output and raise the costs of production. Industrial machinery has little need for rest and could continue to be operated, though the attendants on it were changed.

But, of course, if leisure were distributed more equably and generously, it would become vitally necessary to remodel our systems of education. At present they are essentially vocational and aim at training men to do their work well; in future they will have to be supplemented by instruction which will teach the workers to use their leisure well, or at least harmlessly.

Next, the present situation affords a providential opportunity for getting many sorts of work done which, though socially beneficial, cannot be rendered immediately remunerative. The unemployed crisis should be exploited not only for clearing away slums but also for starting crusades against a number of pests with which we have put up far too long. Rats, lice, flies, mosquitos and many other sorts of noxious insects and weeds, like nettles and thistles, can and should be exterminated. Not only the health but also the wealth of every country that used its unemployed for such crusades would gain enormously. Moreover, the crusaders' work would be interesting and even amusing if the hours were not too long. Rat-hunting, for example, would appeal to many men (as well as dogs) as a popular sport rather than as work, and fly-swatting might again be recognized as an imperial hobby, as in the days of the Emperor Domitian.

On the other hand, it should by now be clear that economically at least nationalism is an evil and a major source of poverty. It stands to reason that the world as a whole will be best off if every region and every people is allowed to produce the goods for which it is best fitted by nature, without regard to politics. But political considerations have completely upset this simple principle of trade. Ever since peace was concluded all States have attempted in growing measure to render themselves self-sufficing and to equip themselves with all they need, above all with munitions of war. Over a huge area like the United States this policy may conceivably succeed, if Americans are willing to pay the cost, which includes the sacrifice of export trade and the complete renunciation of interest on foreign debts, but it becomes absurd in States like Iceland, Ireland and Estonia.

It is folly also to persist in conceiving international trade as a form of

warfare instead of regarding it as an exchange by which both parties gain. This delusion is the root whence spring the ever-growing tariff walls and the paralyzing apparatus of quotas and embargoes that fetter trade. It is hardly an exaggeration to say that for the past fifteen years no government has enacted any regulation which has not had the effect of further strangling trade.

Yet it is undeniable that in all their pernicious activities governments have had the support of an equally ignorant and foolish public opinion, even for their most fatuous regulations. Even Mr. de Valera's antics in Ireland have received the sanction of popular approval!

Perhaps, however, such manifestations of the people's will should be treated as proofs of the decay of democratic intelligence and as symptoms of a collective insanity which seems to be spreading through the world. At any rate they are to be paralleled only by an incident in one of Lewis Carroll's books, in which a politician is hooted down by an infuriated mob, and when he can speak no longer has to listen to what they are saying. He finds that they are shouting for less bread and more taxes! That is what the people are in fact demanding when they cry out, "Buy British [or Irish, or American]." And they have been doing it for fifteen years!

A second procedure by which governments have been drying up the sources of prosperity has been a very general tampering with standards of value and a debasing of currencies. During the war these practices were excused by the plea of necessity, and they certainly enabled the war to be carried on—perhaps too long. After the war Labor everywhere cried out for a "capital levy." Capitalism protested, with apparent success. But has not its victory proved illusory? In point of fact the overwhelming burden of the debts created by the war has by now forced all the former belligerents to devaluate their currencies and to repudiate their debts. Some of them struggled hard to avoid this fate. The last two resisters were the pound and dollar; but the former succumbed, reluctantly, in 1931, the latter, proudly, in 1933.

Is it more than a question of words whether such procedures are better described as capital levies or as repudiation? Whatever they are called, they perform the function of lightening the intolerable burden of debt, which would otherwise entail the collapse of a capitalist economy.

For, in the third place, a certain balance between the total amount of production and trade and the charges on it in the shape of debts and taxes is essential to the functioning of the economic side of life. Whether the burden on industry is due to debt or to taxation, and whether the debts are public or private, are questions of less importance. A great factor in the depression was that the total burden had become too great. From the governments down, every one had been allowed and encouraged to run into debt, and as soon as the tide of prosperity began to ebb no one could pay.

Furthermore, government expenditures, stimulated by the waste and prodigality of war time and by the growing cost of the social services, which are the modern mode of electoral bribery, had remained persistently too high. By the Fall of 1931 Ramsay MacDonald's second government found that it had outrun the constable and steered the ship of state on to the rocks of bankruptcy,

but even so the majority of its members did not repent. They were willing enough to abandon the gold standard and to run the incalculable risks of inflation, but they shrank from reducing the nominal money value of the dole. So they deserted the ship, and only a handful of the Labor party followed MacDonald into the new National Government, a coalition formed to balance the budget and to save the country.

In October, 1931, it appealed to the country and obtained an overwhelming majority and a "Doctor's Mandate." But it has done very little with it. Some slight economies, not exceeding 10 per cent (except in the case of the judges who were mulcted 20 per cent) were imposed. Taxation was increased and the budget was balanced. The dole was administered a little more strictly and cut 10 per cent, but the fall in prices promptly made its real value greater than ever. Nevertheless, the pound was driven off gold by the exaggerated fears of foreign depositors of gold who still looked upon London as the financial capital of the world.

After that further inflation was the readiest means of so reducing labor costs that British industries could continue to compete in the world markets. Administrative threats and an act against profiteering succeeded in checking any considerable rise in the cost of living, by curtailing the excessive spread between wholesale and retail prices. So British trade has not declined so much as might have been expected. But its condition is still unsound. Wages are still insufficiently elastic, being still largely fixed by the political influence of trade unions, and are still too high in the "sheltered" trades relatively to those that work for export. It seems very improbable that Britain will ever regain her old supremacy in cotton, coal and shipping.

Moreover, she, too, has finally delivered herself over to the demon of Protection, at the general election of 1931. This surrender was long in coming, but it should have been foreseen, for the condition of the workers was sufficiently desperate for them to listen to deceptive promises of protectionist employment. It will not be easy to reverse this decision which is bound to do damage—perhaps irreparable—to the hopes of freer trade and to have unfavorable repercussions on Britain's foreign relations. If the dream of an imperial customs union could be realized, it would soon become a question of how long the world would tolerate the British Empire.

Foreign affairs have proved quite as much of an entanglement as was predicted, and under all administrations alike British policy has cut a sorry figure. There has been no effective leadership, and hardly any attempt at it, either in Europe or in the East, either in matters of disarmament or of reparations or of war debts or of economics. To all appearance British policy has oscillated impotently between two distracting fears of giving offense to America and to France.

In 1928 alone something significant seemed to be about to happen, but this move also was allowed to peter out. After the British and American Admirals had been allowed to negotiate together at Geneva and had, very naturally, arrived at disagreement rather than disarmament, Sir Austen Chamberlain turned the French loose upon his Admirals. The result was a mysterious agreement with France, which seemed to be designed as a permanent alliance, for the British Admirals conceded to the French as many submarines and destroyers as

ever they pleased, and this seemed to imply that henceforth no disagreement between Britain and France would be conceivable. In view of all the circumstances thoughtful people asked whether such an alliance would not be tantamount to vassalage. Still more puzzling were the staging of air manoeuvres over London in August and the official report that some 180 hostile planes would have been shot down, but that London would have been burned. This report seemed to be intended to impress the necessity of a French alliance upon the British public. In September a ray of light was thrown upon these dark secrets of state by the enterprise of a young correspondent of the Hearst papers in Paris. He obtained some confidential French documents which seemed to show that the proposed agreement with France was directed against America. More significant, perhaps, than the actual texts were the actions of the French Government; the correspondent was promptly expelled from France, and Mr. Hearst has not been allowed to land there since. Finally, Sir Austen Chamberlain fell ill and took an extended holiday, while nothing more was heard of his agreement, presumably because his Ministerial colleagues refused to endorse his policy when they discovered its character.

Now manifestly these curious episodes (and others not unlike them) do not mean mere incompetence in the management of foreign affairs. They are due to a permanent dilemma in which the British Empire is involved. As *Cassandra* put it, "the British Empire is left at the mercy of one foreign power and its capital at the mercy of another." If we offend America we alienate the Dominions; if France, we may wake up any day to hear the Angel of Destruction beating his wings over London. Yet neither of these fears can be avowed, and the French have a monopoly of talk about "security" at international conferences.

Since *Cassandra* described the British Empire as easily "the most ramshackle empire on earth, *vice* Austria exploded," it has rapidly grown more of a paradox and a marvel. There has never been anything like it in history, and it defies all political philosophy to explain how it holds together. It is utterly anomalous, alike in its Constitution, in its fiscal policies and in its racial composition.

Its legal basis, in the first place, is constantly changing because it indulges periodically in Imperial (no longer Colonial) Conferences, and these issue in changes which invariably weaken and loosen the bonds which unite it. After the establishment of Dominion status, which gave to Canada, Australia, South Africa, New Zealand, &c., full control, not only over their internal affairs but also over their tariffs, two such bonds were supposed to exist. One was the common allegiance which all parts of the empire owed to the Crown, that is, the King in his constitutional capacity, in virtue of which a royal proclamation was binding on the whole empire; the other was that the Crown's responsible advisers in Britain, the British Ministry, had effective control of the whole empire's foreign relations. They had no doubt found it more and more advisable to consult the Dominion Governments before they did anything important that affected the Dominions, but still they alone had access to the Crown, and a declaration of war, for example, advised by them, was binding on the whole empire.

But in 1931 the British Parliament passed the Statute of Westminster, which divests the British Ministry of its privileged position and puts it on a par with those of the Dominions. Henceforth the Dominion Ministers are the King's advisers for each Dominion and recommend the appointment of his representative, the Governor General. There is no longer, therefore, any single body that can advise the Crown on behalf of the whole empire. In future each Dominion will have to declare war separately—if it chooses to go to war.

This evidently opens up the question of what would happen if a Dominion Government gave the Crown advice incompatible with that proffered by the British Government. The question cannot be answered till it has arisen. But seeing that last year the Irish Legislature was actually permitted to repeal the law which imposed the oath of allegiance and that a vigorous tariff war has been raging between Ireland and Britain for many months, one cannot but wonder how much of a bond of allegiance the Crown continues to be.

The commercial interests of the Dominions have long been pressing Britain (their chief market) for preferential tariffs, and promising abatements from their tariff rates which, however, have remained prohibitive even after the empire preferences had been deducted. At last the Ottawa conference of 1932 put these professions to the test, and showed how little substance there was behind the dream of a fiscally united empire. The Ottawa conference did not quite justify the apprehensions of the free-traders who had predicted that it would break up the empire. But it is generally admitted to have shown that no real customs union of the empire is now realizable, for the Dominions are clearly determined to manufacture for themselves in spite of the discontents which their extreme tariffs are provoking in their own components, for instance, Western Canada, Western Australia, Natal.

Racially the British Empire continues to house an array of hornets' nests. In Africa (Kenya, Rhodesia and South Africa), the whites are clearly bent on policies which must sooner or later provoke race wars. In Egypt the farce of parliamentary rule has indeed been ended by a reversion to monarchy, but no permanent settlement has been reached. In Palestine (a far too much Promised Land) the British mandatory has the difficult task of protecting the Jewish minority in its "national home" against an overwhelming Arab majority. In India the British Raj is plainly crumbling; it has to hold the balance even between a multitude of warring creeds and to try to satisfy the national aspirations of the educated classes. The negotiations concerning the future Constitution of India are still continuing, and it is hard to say what they will result in. But it seems most improbable that any settlement will be reached that will bring peace, will last long and will be more than a further step toward the total evacuation of the country.

When this has happened, and the Dominions have declared themselves independent (which they may not trouble to do for some time yet) what will be left of the British Empire? With its sea power gone, nothing, it would seem, but a precarious hold over a number of minor Crown colonies, mostly liabilities rather than assets and in need of periodical assistance from "grants in aid," in order that they may not default on

their loans, an ever-dwindling trade and an ever-growing overpopulation. The British peoples are sensible and patient, but is this not a prospect from which all human nature must revolt?

Meanwhile, how are the masses of the people facing the steady disintegration of the British Empire? Strange to say, they hardly seem to be aware of it. They have not yet realized all that is at stake; they have not yet grasped that unless they can pay for their food imports by exporting manufactures, the population of (once) Great Britain must come down to one-quarter of its present number. Neither do they seem to resent the fatal policies by which their politicians are bringing them to this pass. They seem so wrapped up in struggling for their daily bread and in keeping up with their daily sports that they are becoming more and more indifferent to what their politicians say, knowing that in no case is anything ever done. Nevertheless, they may wake up some day and surprise the world—and themselves—by shaking off the *paralysis agitans* of parliamentary government, as Russia has done, and Italy and Germany. The misleaders of the people had better be agile on that day!

Such is the most likely prognosis for the future of the British Empire. It is somber; yet it leaves room for a gleam of hope. It seems just possible that, in spite of all the forces tending to dissolve it, the British Empire may somehow hold together. Indeed, it may hold together in virtue of the very looseness of its composition, of the very absence of all constraints, for it thereby avoids the internal friction which wears out more coercive governments.

There would be no precedents in history for this suggestion, but we have seen that there are no precedents for the British Empire anyhow. Moreover, history never quite repeats itself, and today is reversing many precedents. So it may even be conjectured that if by some divine grace or lucky change the British Empire can hold together by dint of mere sentiment, it may give a valuable lead to and serve as a model for the rest of the world. For if it is the manifest destiny of civilization to unify mankind, it is even clearer that at first this union will have to be very easygoing and will be able to use only the most tenuous bonds and the most elastic institutions. And the present British Empire may show the world how to do it!

Japan Dominates the Far East

I—The New Balance of Power

By WILBUR BURTON

[Mr. Burton is an American journalist who has for the last two years been acting as special correspondent in China for the *Baltimore Sun.*]

No event in the present century has been more momentous or has effected more drastic changes in both geography and the world balance of power than Japan's undeclared war against China. Not only has Japan obtained control of large portions of Chinese territory but other nations have been inspired to join in the dismemberment of what is now obviously a hopelessly weak nation. And as Japan has carved out a new empire, the possibility of war in the Far East has become alarmingly real.

Since Sept. 18, 1931, Japan has seized and largely consolidated almost 500,000 square miles of Chinese territory, including Manchuria with Jehol, part of Inner Mongolia and the so-called demilitarized zone within the Great Wall. Undoubtedly the whole of Inner Mongolia as well as other areas north of the wall are earmarked for eventual inclusion in Manchukuo or some other State under Japan's aegis. The territory seized contains about one-thirteenth of the total population of China, and accounts for one-fourth of the total foreign trade of the country and about one-third of its total exports.

The outlook during the first stage of the war was rather dark for Japan, even if it was not expected that China would be capable of offering effective opposition to the modern Japanese war machine, or that the League of Nations would take steps to compel Japan to change her plans. It seemed, however, that either the United States or the Soviet Union, or both, might intervene, although it was generally —and correctly—assumed that Russia, in the midst of her huge industrial program, desired peace at practically any price. But whether the United States confined itself to protests or took action, it was widely held that China, while impotent in the modern military sense, would wage a war of attrition against Japan that could—and probably would—exhaust Japan's none too extensive economic resources.

For Japan to expand as an imperialistic nation it was necessary to acquire more natural resources, especially coal and iron, and additional areas for colonization and food production. In these respects Manchuria offered virtually all Japan desired. But in seizing Manchuria Japan not only risked losing the Chinese market that was necessary to keep the wheels of her industry turning but also faced the task of pacifying a vast territory with a hostile population capable of carrying on a prolonged guerrilla warfare which would be financed in China proper.

The anti-Japanese boycott in China proper, particularly in the Yangtse Valley and South China, as anticipated, became more intense, in direct

ratio to Japan's conquest north of the Great Wall. In January, 1932, Japan's exports to Shanghai, through which about half the China trade flows, dropped to almost nothing. Then, shortly before midnight on Jan. 28, Japan struck with the announced intention of occupying Chapei before dawn in much the same way that Mukden had been occupied a few months before. But in the Cantonese Nineteenth Route Army Japan received the greatest and most costly surprise in the whole of her history as an empire, and when she finally took Chapei and surrounding territory, observers wondered whether she could survive another equally expensive victory.

Meanwhile, guerrilla bands—"Volunteers"—had arisen in Manchuria and were raiding even the outskirts of Mukden and Harbin. Trade was almost at a standstill; it seemed as if China were really winning despite the Japanese flag floating over the smoldering ruins of Chapei and the principal cities of Manchuria. Then, for reasons to be given presently, came the surrender of the Nanking Government in the peace pact of May 5, 1932. This pact, which has no time limit, provided



The shading indicates the boundaries of the territories recently conquered by Japan

that Chinese troops cannot enter a specified zone around Greater Shanghai. Probably, also, there was a secret understanding between the Nanking authorities and the Japanese that the boycott would be broken because a relentless drive was launched at once by the Chinese officials against all public anti-Japanese agitation and the association which had been enforcing the boycott was suppressed.

A "voluntary boycott," of course, continued. Even today millions of Chinese will not buy any goods marked "Made in Japan." But the Japanese are not so naïve as to mark their goods "Made in Japan"; "China" or "America" or the name of some other Western country is substituted. Millions of Chinese, moreover, are too poor to question the origin of goods that are the cheapest on the market, and in many lines, notably cotton piece goods, the Japanese can undersell all competitors. Thus a voluntary boycott eventually becomes no boycott. The only way a boycott in China, particularly against Japan, could be effective would be either by an embargo through the customs or, as existed in Shanghai before the peace pact of May 5, through an unofficial organization which was officially supported in forcibly preventing the sale of Japanese goods, regardless of labels, which the organization had the facilities to investigate. Although such a boycott was marked by much ruthlessness, terrorism and graft, it was effective and for a time threatened Japan with economic ruin.

The voluntary boycott, on the other hand, almost completely died out in a short time. By the end of 1932 Japanese trade with the Yangtse Valley was almost normal, except to the extent that a decline was inevitable in the general depression, while there had never been a boycott in North China. In South China the boycott still exists, but the trade of this area is too small to be important to Tokyo. Thus, in breaking the boycott, Nanking surrendered its most powerful weapon in a war of attrition.

With the demilitarization of Shanghai and the assurance that the boycott would be broken, Japan was able to transfer some 50,000 troops, who had been stationed around the city, to Manchuria, where they were sorely needed to suppress the volunteers. At first, progress in this pacification campaign was very slow. In the fighting during the Winter of 1931-32 in both South Manchuria and around Harbin, Japan suffered tremendous casualties from the cold. Then came the kaoliang, a kind of kaffir corn that is one of the principal crops of Manchuria, which furnished an ideal screen for guerrilla activities, and the following Winter loomed ahead with the volunteers far from crushed and the Japanese presumably incapable of effective cold weather fighting. But meanwhile the Japanese, evidently remembering the suffering from cold in their Siberian intervention, had deliberately developed troops by training them in the cold mountain areas of Japan in scant clothing for many days at a time. Though, according to observers, many soldiers either died or suffered permanent injury from the rigorous ordeal, enough of what might be called "Zero Zouaves" went to Manchuria to conduct an amazing and successful campaign. In the dead of the Manchurian Winter, with the mercury sometimes registering 50 degrees below, the "Zero Zouaves" marched clear to the Soviet border with scarcely the loss of a man, and later, defying the biting mountain winds of Jehol, occupied that province in a week.

Early in 1933 the volunteers' resis-

tance to Japan began to break; within a short time Su Ping-wen, who once held all the Chinese Eastern Railway from the Siberian border to near Harbin, the spectacular Ma Chan-shan and other notable volunteer leaders fled across the Soviet border. Even if now Manchuria is not completely pacified, there is no longer sufficient disorder to interfere seriously with its exploitation, nor is any extensive recrudescence of guerrilla activity likely. In seizing Jehol, Japan cut off the possibility of further supplies reaching the volunteers from China proper, while the truce signed at Tangku undoubtedly contains a secret agreement under which the Nanking Government is pledged not to render the volunteers further assistance nor to let them receive any from China.

Ostensibly, the truce signed at Tangku, a village near Tientsin, on May 31, 1933, is purely a military armistice. In effect, however, it pledges China not to resist further. Like the Shanghai pact, the Tangku agreement, being without a time limit, remains in force until Japan decides otherwise. China is thus committed for all time not to launch any attack against Manchuria nor to attempt to harry the Japanese forces. Japan is committed not to invade China proper, south of the demilitarized zone along the Great Wall, but she is given a free hand north of the wall as far west as she wants to go. And, as has been said, Nanking has undoubtedly promised to halt all efforts to cause trouble within Manchuria. This means that China has surrendered her only other effective weapon in a war of attrition. With the boycott broken and Chinese aid to the volunteers ended, Manchuria now belongs to Japan in fee simple, so far as the Nanking Government is concerned. The "long-time resistance" that was pledged by Nanking leaders in place of real resistance lasted less than two years. That is the significance of the Tangku truce.

Japan's successful war against China has forcibly impressed the world with the almost incredible ebb in Chinese national vitality. One of the oldest and largest nations of the world has been shorn of a vast area of its most valuable territory and, except in the South, has not the will any longer to carry on even a boycott of the aggressor. Additional territory appears to be in danger of suffering the fate of Manchuria. Yunnan, according to authoritative sources, has become virtually a part of French Indo-China. The British-trained army of Tibet has been encroaching on Szechwan for the past eighteen months. A recent Mohammedan uprising in Sinkiang (Chinese Turkestan) which, according to Chinese and Soviet accounts, was financed and directed by the British, has set up an allegedly autonomous government there with the apparent resulting loss of the territory to China. In addition, as has been pointed out, the Shanghai area has been demilitarized. The Chinese have so largely lost faith in their own government that throughout 1932, according to the annual report of the Bank of China, the influx of cash to the foreign concessions of Shanghai from the interior averaged $6,000,000 (Chinese) monthly.

The Nanking Government had set Jan. 1, 1932, as the date for the abolition of extraterritoriality, but the Japanese invasion halted all efforts in this direction, much to the delight of most foreigners in China. In fact, a high American official recently declared that the calling off of the fight to end extraterritoriality "is one thing, at least, we can be thankful to the Japanese for."

Before the Japanese captured Muk-

den, Chinese national unity was still far off. Canton was even then engaged in an abortive independence movement, but more serious, from Nanking's viewpoint, was the enormous multiplication of the peasant Red armies in Kiangsi and adjoining provinces. On Nov. 7, 1931, less than two months after the Japanese conquest started, the "Soviet Republic of China" was proclaimed in Kiangsi. Although the régime has turned out to be more a military camp than a government, it embraces an area with over 60,000,000 inhabitants, or about one-sixth of the population of China.

In this Red challenge to the Nanking Government may be found the key to the Sino-Japanese situation. The Chinese bankers, industrialists and other business leaders of Shanghai, who are the principal props of the government, frankly and sincerely regard the Communists, or so-called Communists, as a greater menace than the Japanese. The big bankers, moreover, were never enthusiastic about the boycott because it interfered with the free flow of trade.

In the beginning Chinese nationalist sentiment triumphed over these considerations, but when the Japanese struck at Shanghai they hit the bankers and industrialists—the Nanking Government itself. Nanking, it may be stated dogmatically, would never have resisted in Shanghai. The Cantonese Nineteenth Route Army, from the home of Chinese nationalism and supported by the ardently nationalistic petty bourgeoisie of the Shanghai area, happening to be in Shanghai through fortuitous political circumstances, did resist and for a time rallied the country, including the Nanking Government, behind it. But with its defeat the day of nationalism was done. Nanking was willing to pledge almost anything in order to be free to fight the Red armies, and the banking and industrial leaders of Shanghai were willing to agree to almost anything for the restoration of peace—and trade. Thus the Shanghai pact of May 5, 1932, came about.

The Tangku truce of slightly over a year later was even more openly predicated upon the "Red menace," although the Red armies do not appear to be nearly as strong this year as last. But in April General Chiang Kai-shek, on the ground that his services were required in Kiangsi against the Reds, left the northern front—where he had been but a few days—and upon reaching Nanchang stated that "any one who dares to advocate resistance to the Japanese until the Reds are defeated should be severely punished." There was some open criticism of this viewpoint, but it was endorsed in public statements by both Sun Fo and Wang Ching-wei, the so-called radical leaders. Thus the Tangku truce came about.

This policy of giving Japan almost everything she wants so that the government can devote all its energies to fighting the Reds is presumably fully approved by those Chinese who have a voice in national affairs. In any event, the Nanking régime gives every indication of being in a stronger position today than it was two years ago. If the Red armies have not been suppressed, they have at least been curbed, and after a few more seasons of uninterrupted airplane bombing they may even be completely crushed. With Chang Hsueh-liang out of the way, Chiang Kai-shek has obtained direct control of the Peiping area for the first time since the Nanking Government was formed.

Canton is still in opposition, and Marshal Feng Yu-hsiang, who is in alliance with Canton, has, as this is written, a precarious hold in Kalgan,

but neither together nor separately do they appear to offer any serious threat to Nanking. At the time of the negotiation and signing of the Tangku truce, while there was much bluster in Canton, it was obvious that, barring unexpected developments elsewhere, the Canton clique could do nothing about it. China no longer can be rallied on the basis of nationalism, for nationalism is cleft upon the rocks of class conflict.

The anti-Japanese movement, however, continues in Canton, the government of which is dominated by an ardently nationalistic petty bourgeoisie. But from Japan's viewpoint, the situation there is not serious. "The boycott is dying down rapidly in the Yangtse Valley," Japanese Consul General Yoshida in Canton said recently, "and there is no boycott in North China. These sections represent fully three-fourths of the China market; so we do not need to consider Canton. Further, the boycott will be broken in Canton in the near future by economic pressure; the Cantonese can buy many products cheaper from Japan than elsewhere and they cannot afford indefinitely to pay more for their coal, their piece goods and certain sea products (which are now purchased from non-Japanese sources at very high prices) than the residents of other sections of China are paying."

Important as is the decline of nationalist sentiment, much more so is the possibility of an alliance between Nanking and Tokyo. Various Japanese organs have long suggested such an alliance, and Cantonese politicians assert that negotiations are already proceeding whereby Nanking will formally recognize Manchukuo in return for assistance to crush all opposing political groups in China. However true that may be, it is curious that throughout the conflict the Japanese have never expressed any animosity to General Chiang Kai-shek. They have damned the Kuomintang, the Nineteenth Route Army, Chang Hsueh-liang and many other Chinese singly and collectively, but never Chiang. Chiang, on his side, has never made any anti-Japanese speeches and has confined his public manifestoes to excoriations of communism. The *Osaka Mainichi* has openly suggested that Tokyo and Chiang should unite on an anti-Red basis and has even reported that negotiations to this end were under way. Dr. Y. Suma, First Secretary of the Japanese Legation, not long ago said that "it would be fine if Chiang Kai-shek could really achieve national unity." Some Shanghai Chinese newspapers declared that General Chiang had an understanding with Tokyo whereby the Japanese troops crushed the forces of Chang Hsueh-liang in Jehol in order that Chiang Kai-shek could take over the Peiping area.

While Japan has seized Manchuria, she has at the same time sought in many ways to win Chinese friendship. At this moment there is under way throughout China a small but significant campaign, inspired by Tokyo, for friendship between China and Japan on the basis of "Asia for Asiatics." A Sino-Japanese club has been formed in Shanghai; the embers of Chapei were not yet cool before the Shanghai Japanese Club began to give dinners for Chinese in key positions, particularly journalists and business men. Immediately after the Shanghai episode Y. Matsuoka, subsequently the chief Japanese delegate to the League, visited the city as the Emperor's envoy and called many conferences with Chinese business men. The writer at that time was news editor of a Chi-

nese-owned English-language newspaper, and as a result of these parleys he was ordered by the proprietor, who also owns two large Chinese newspapers, to stop campaigning in defense of Korean patriots who were being kidnapped from the French Concession by Japanese detectives. Later anti-Japanese agitation in the press was again permitted, but today it is once more banned in the Shanghai area. Even before the Tangku truce it was definitely toned down, as if in preparation for that agreement.

Apart from Chiang's personal relations with Tokyo, the same factors that have vitiated Nanking's resistance to Japanese aggression could undoubtedly also pave the way for a Nanking-Tokyo alliance. If the Nanking Government has been so anxious to fight the Red armies that it has given up Manchuria almost without a struggle, there is no reason why, at a propitious moment, it should not formally recognize Manchukuo in return for material assistance in the anti-Communist crusade. Japan would certainly be willing to give a great deal for Chinese approval of the accomplished fact, for other nations could hardly reject any arrangement China and Japan might make.

To many Chinese now, and probably to still more in the future, the slogan of "Asia for Asiatics" sounds well. Probably it is fundamentally false, since Japan, being an imperialist-capitalist nation, has more in common with Western imperialist-capitalist nations than she can have with a semi-colonial country like China. But the slogan has a soul-stirring appeal to the yellow victims of white imperialism, and the Japanese, at least, draw no color line, nor display any race superiority complex--unless it be to the white race! Yet Japan and China can become friends and allies only under the hegemony of Tokyo and not as equals. Some Chinese realize this, but nevertheless are in favor of the alliance; others are simply intrigued by the thought of "Asia for Asiatics."

In its immediate international aspect the Japanese conquest means the virtual closing of the "open door" in Manchuria and the establishment of a gigantic Japanese base in this rich and strategic territory between China proper and the Soviet Union. Ever since the building of the Transsiberian, Chinese Eastern, South Manchuria and Peiping-Mukden railways, Manchuria has served as the bridge between the Far East and Europe. Heretofore, control of this bridge has been divided among China, Japan and the Soviet Union; now it is under the exclusive domination of Japan, although at this writing the Soviet Union still has technical possession of the Chinese Eastern Railway. The Soviet Union, for the first time in its history, faces a strong and none too friendly neighbor on its eastern frontier.

Since the failure of Japanese intervention in Siberia after the Bolshevist revolution, Manchuria has served as a buffer between Japan and the Soviet Union. North Manchuria, in fact, had been a definite sphere of Soviet influence, and elsewhere in the area the rivalry between China and Japan prevented either from offering any serious threat to the Kremlin. This was convincingly shown by the ease with which Moscow regained possession of the Chinese Eastern Railway after it was seized by the Mukden authorities in 1929. Of course, the Soviet Union always maintained strong defenses in its Far Eastern territory, but they were inconsequential compared to the soldiers and bat-

tlements on the western border. Nothing but an arch over the Transsiberian Railway used to mark the Siberian-Manchurian border in contrast to the belligerent array of barbed wire on the Russian-Polish border; now the Soviet authorities are building even more extensive defenses in the Far East than in the west.

Whether Japan is planning to fight the Soviet Union is a moot question. Most observers think such a war must come sooner or later. On the other hand, F. Kingdom-Ward, in his recent book, *The Loom of the East,* expressed the opinion that Japan desires European nations to believe that her real ambitions lie in Manchuria and Siberia, but that when "the Japanese have reached the Amur, or before, they will turn right about face, and from that rich and impregnable base advance south in overwhelming force, with a persistence, a relentlessness and a ruthlessness that Western nations hardly yet begin to understand." The Japanese are now entrenched along the Amur, and it remains to be seen whether they will turn southward or northward, or be content where they are.

Another observer, General Graves, who headed the American forces in Siberia from 1918 to 1920, declared recently that "not one single intelligent Japanese soldier would dream of undertaking a war against Russia unless he was certain, or had an agreement in his pocket to the effect, that Japan would not stand alone." Moscow professes to be convinced that Japan already has such an agreement, or is well on the way to obtaining one, with Great Britain or France or both. Certainly Great Britain has not opposed Japan in Manchuria, although she has been active in seeking to discourage her from seizing or holding any part of China proper, and France has frequently given evidence of being very friendly to Japan. Both Great Britain and France, however, voted for the League resolution condemning Japan.

In case of such a war, the railway systems of Manchuria and Siberia would be all-important. The Russian-owned Chinese Eastern Railway has a 5-foot gauge, while all the other trunk-line railways in Manchuria have the standard 4-foot 8½-inch gauge. Provided the Soviet Union could hold the railway, troops could be moved from Moscow to the very capital of Manchukuo without changing trains, since the Transsiberian also has a 5-foot gauge. Secondly, as long as the gauges of the C. E. R. and the Transsiberian are the same, Vladivostok is several days closer to Moscow via Manchuli and Harbin than by the Transsiberian branch from Chita. With the railways as they now are, the Soviet Union would be in a strategic position to seize and hold the whole of Manchuria to Hsinking (Changchun) in wartime, although the C. E. R. is no longer of much commercial value to Moscow in view of the hostile attitude of the Japanese-Manchukuoan régime.

When Japan formally takes possession of the C. E. R., as she is almost certain to, it is expected that the gauge will be changed without delay to that of the other Manchurian railways. Japan already has completed a line connecting Kirin with Kainei on the Korean border. The building of this railway, long desired by Japan, was opposed by both the Soviet Union and China because it would provide quick transportation of troops from Korea into North Manchuria. When the gauge of the C. E. R. is changed, Japan will be able, whenever she wishes, to move troops from Korea and Dairen to all important points on

the Siberian border within two days.

If Japan is planning to fight the Soviet Union, Manchuria, after the gauge of the C. E. R. is changed, would be an ideal base for such a war. Nevertheless, even with the possession of Manchuria, there is one major raw material that Japan still lacks. That is oil. Although the Fushun coal mines in Manchuria offer the possibility of shale oil production in sufficient quantity to do away with Japan's present oil importations of 1,700,000 tons a year, such a development is not immediately possible, and meanwhile Japan must obtain her oil from either the United States, the Soviet Union, Great Britain or the Dutch East Indies. The Soviet supply is closest, particularly in the North Sakhalin oil fields. Japan has a lease on part of these fields, expiring in 1936, which Moscow is admittedly not anxious to renew, although Japan already has sought a promise of renewal. This fact, as much as Japan's obvious desire to obtain the C. E. R., may explain the present strained relations between Tokyo and Moscow.

An apprehensive world is watching the manoeuvring for a Nanking-Tokyo alliance and the course of Soviet-Japanese relations. Never before in all modern history have there been possibilities as pregnant with weal or woe as these. The outcome belongs to the future, but meanwhile Japan has gained and China has surrendered, in fact, if not in name, 500,000 square miles of territory.

II—Can Japan Hold Her Empire?

By WILLIAM MARTIN

[The following article by the well-known editor of the *Journal de Geneve* is based upon recent careful study and observation in the Far East.]

WHEN the fighting between the Japanese and Chinese was ended on May 31, 1933, by the Tangku armistice, Japan seemingly had attained her immediate objective, the conquest of Manchuria. The ultimate hope of hegemony over China remained unrealized. But nothing could be more complete than the Japanese control of Manchuria, for in Manchuria today the Japanese are supreme. They manage everything; they can do anything, and without them nothing can be done. And yet it is probably true that the Japanese could have obtained the same result at much less expense by peaceful methods.

Decisive judgment cannot be passed on Japan's conquest for some time to come. The position of the Japanese today resembles that of the Germans in 1916. They believed themselves victors and they were. But the game was not quite finished and in the end they lost. There are many possibilities that might again challenge the results obtained by the policy of force which the Japanese militarists have employed in Manchuria—primarily, internal developments in Japan. Her political, social and financial situation is by no means so healthy as to make sudden and violent changes unlikely. Nor would it be surprising if some day Japan once more had a liberal government which would seek to win the sympathy of the Chinese people by other means than force, or even

an anti-imperialist government which would emphatically disavow the past.

Changes might also occur in China. The past two years have taught the Chinese a harsh and cruel lesson. They may not all have grasped its meaning, but many have learned that their present weakness has offered too strong a temptation to an ambitious and unscrupulous neighbor. China must therefore strengthen herself not only with arms but also politically and economically if she is to defend herself. Here the financial assistance which the United States has just granted China and the technical aid planned by the League of Nations follow logically from the resolution of Feb. 24. Since the world cannot effectively aid China to rely upon her own military strength against Japanese aggression, it can at least help her to revitalize herself, to reorganize her government and resources and to prepare for the future.

Possibly, too, the present situation in the Far East may be profoundly altered by events elsewhere. Japan has been able temporarily to realize her ambitions in Manchuria only because all the great powers have been for various reasons in a state of extreme weakness. Russia, entangled in her Five-Year Plan and barely succeeding in feeding an increasingly discontented population; the United States, impotently watching the foundering of the economic and monetary system of which she had been so proud; Great Britain, at grips with all manner of so far insoluble problems—these obviously are not very dangerous antagonists for Japan at the present moment. Credit must be given to the Japanese militarists for seizing their opportunity with a remarkable insight into the realities of the international situation. But a day is bound to come when the economic crisis will have abated, when political difficulties will have been overcome and when the powers will once more be free to consider their general interests. When that day comes, where will Japan be?

Two illustrations from the recent past indicate how easily questions apparently settled for good can be reopened. When Japan, who knows very well how to profit by every opportunity, took advantage of the Bolshevik revolution to install herself in Eastern Siberia she certainly intended to remain there. It was only after several years of negotiations and pressure that she was made to leave. But finally, at the Washington conference in 1922, she yielded. Likewise, when she entered the World War in order to acquire Shantung, she undoubtedly did not believe that she would ever be prevailed upon to return it to the Chinese. But she did.

These examples may not be absolutely convincing, but they at least teach us to be skeptical. In the Far East what appear to be the most decisive and secure settlements can always be upset. There is no reason why this might not happen in the case of the Manchurian settlement. From this point of view the principle of the non-recognition of Manchukuo, formulated by the United States Government and upheld by the League of Nations, carries especial significance. So long as the Japanese are in Manchuria without any *de jure* title that can legalize the occupation their tenure will have a precarious and temporary character. Not only is Japanese diplomacy involved in enormous difficulties because of the very embarrassing problem of Manchukuo and the consequent loss of freedom of action in all other directions; the absence of legal title leaves the future

exposed to every change that might occur. Because the Japanese are keenly aware of this, every effort they have made up to the present, whether military or diplomatic, has aimed at acquiring this title. Yet, despite the Tangku armistice and its ambiguities, it is safe to say that success has thus far evaded them.

This circumstance, rather than the naturally imperialistic tendencies of the militarists of all countries, is the fundamental motive that actuates the Japanese effort to gain some sort of hegemony over China. Indeed, as long as the Chinese refuse to confess themselves beaten and to sign any document recognizing Manchukuo, Japan's objective will not be completely attained. And the hope of seeing China submit can only be fulfilled if the Japanese succeed in establishing a *de facto* hegemony that will no longer allow the Chinese Government any freedom of decision.

A Japanese hegemony over China is far from inconceivable. There are certainly many elements in China, especially among Chinese educated in Japanese universities, that could be reconciled to the idea. The Chinese is torn by two contradictory sentiments—his conviction that in the present state of the country relief must come from outside and the confidence in the vitality of his people that relieves him of his anxiety for the future. A majority of the Chinese admit that China will have to be not only assisted, but guided, along the road of economic reconstruction; at the same time, all are convinced that once the reconstruction has been achieved, a China with 400,000,000 or 500,000,000 inhabitants, equipped to work out her own destiny, will have no further need of foreign aid.

The history of China encourages these hopes, for she has several times absorbed conquering peoples. Those who see in the temporary tutelage of Japan the best solution of the Chinese problem base their belief on this dual consciousness of present impotence and confidence in the future. The existence of this feeling in China, and it is rather widespread, shows that the Japanese would probably not have met with insurmountable obstacles had they known how to play their cards more shrewdly. Contrary to the belief held by many outside China, the Chinese is not a nationalist, even if he believes himself to be. He does not even know exactly what patriotism is. During thousands of years of isolation, how could the Chinese have developed a sentiment that was born in the West from daily contacts between different peoples? The Chinese are hostile to the privileges of foreigners, but this attitude arises from their democratic traditions and their love of equality rather than from a truly nationalistic or anti-foreign sentiment.

Japan then would not have found any insuperable obstacle in her path had she pursued the way of friendship and peace. China was really open to her. In spite of armed hostility, in spite of the benediction of the League of Nations and all the humiliations which the Chinese have suffered, they have not been able to place a thoroughly effective boycott on Japanese goods. How much more easily would China have been open to economic penetration by Japan under the conditions of peace? The Chinese have always felt an instinctive sympathy for Japan, based on their community of race. In 1905, during the Russo-Japanese War, the Chinese prayed for Japan. If the Japanese had come into China with outstretched hand and open heart they would have been

greeted with good-will and even universal gratitude.

Instead of that, the Japanese have always come with pointed bayonets. War in 1895, the Twenty-one Demands in 1915, war in 1931 have not been calculated to win friendship. The victory in Manchuria and even the armistice of Tangku, far from opening China to the Japanese have closed the country to them for a long time to come. While the Japanese have outwardly and momentarily carried out their design, they have been disappointed in their main purpose, which was nothing less than to make themselves the masters, economically and morally, of the whole of China. The Japanese militarists, believing that they can make themselves liked by force, have once more destroyed a magnificent opportunity.

These two considerations—the realization by Japan of her immediate aims in Manchuria and the problematic character of her final success—must necessarily be reflected in the present attitude of the powers. Japanese supremacy in Manchuria means the more or less rapid, but eventually complete, elimination of foreign powers from this market. Even if the powers were not agreed among themselves to withhold recognition from the new Manchu State, it must be remembered that the invariable practice of Japan in the lands where she has gained a foothold has been to push out her competitors and to possess herself of the entire trade. The Open Door is of no consequence in such regions; it is a theoretical principle, capable of many convenient interpretations in practice, and without violating it the Japanese know very well how to make life impossible for foreigners.

The present dispute between Manchukuo and the Soviet Union over the Chinese Eastern Railway is significant from this point of view. If the Soviet Union is willing to sell its rights in the railway for a mess of pottage it is not merely because it needs the money nor because it feels weak and keenly desires peace everywhere and above all in the Far East; it is primarily because the Russians know that the Japanese are able to ruin the railway, destroy its whole economic and political value and thus deprive them of all bargaining power.

What is true of the Chinese Eastern Railway applies to all Western economic interests in Manchuria, and there are no illusions on this point. The conquest of Manchuria by Japan means the loss to the Occident of a market of more than 40,000,000 inhabitants, rich in natural resources and capable of enormous development. This is the leading fact that the Western countries must take into account. But it would be quite wrong to conclude that the principle of nonrecognition must be renounced. To recognize Manchukuo would in no wise change anything essential in the present situation and would only prejudice future interests of much greater importance.

From the standpoint of the powers there are two ways of looking at the consequences of the conquest of Manchuria. One is in regard to the changes affecting the political equilibrium in the Far East; the other concerns the precedent established for the rest of the world.

Throughout the crisis, Prime Minister MacDonald was preoccupied chiefly with the first of these aspects. Convinced that the naval parity of Great Britain and the United States necessitated the existence of a great maritime power in the Pacific, Mr.

MacDonald steadfastly refused to countenance any course of action that would weaken Japan's military, political or moral position. The Anglo-Japanese alliance, even though it no longer existed, was still in operation.

This view of the Far Eastern question is too narrow. The conquest of Manchuria has not as yet affected the naval position of Japan. It has hardly strengthened it, despite the acquisition of certain raw materials. Proof of this can be seen in the agitation among Japanese militarists to eliminate the competition of Shanghai by developing the port of Tsingtao and to deal similarly with Vladivostok by creating a great port in Korea. Conquest is always involved. But there it is, and for a long time to come it will be the refrain.

At present it is truer to say that Manchuria weakens Japan politically. Those who remember the world-wide prestige that Japan enjoyed, especially at Geneva before Sept. 18, 1931—the position of arbiters which gained for them their reputation for impartiality and incorruptibility—are aware that Japan has lost politically much more than she has gained. The resolution of Feb. 24 was a tremendous blow to Japanese policy, and we pity the Japanese diplomats who were able to obtain so high a moral standing for their country and who today, seeing their work undone, have to begin it all over again.

The powers today are concerned lest the precedent established in the Far East should have serious consequences elsewhere. Great Britain, America and even Soviet Russia are equally interested in maintaining the peace of the world. Their present weakness precludes their acting effectively to prevent an aggression, obviously contrary to the treaties, from bearing fruit. In a world in which explosives abound it has been demonstrated that playing with fire is permitted, but prudence suggests that the practice shall at least not be legalized. In itself, Manchuria is a small matter. But it would be terribly expensive if it should become the cause of another world war.

The Detroit Tradition

By Malcolm W. Bingay

[Mr. Bingay is editorial director of *The Detroit Free Press* and for nearly fifty years has been a resident of the world's automobile centre.]

NOTHING makes a native Detroiter more disturbed than to have his city referred to as a "mushroom town," which, with the growth of the automotive industry, has become a metropolis. The answer is immediate and sometimes vehement: "This is no Gary, Indiana." The native Detroiter is as proud of his city's traditions, running back 232 years, as he is of Julian Street's appellation for it, "Detroit the Dynamic."

The history of Detroit can be divided into three periods. Founded in 1701 by Cadillac in the name of the King of France, it was for many generations the foremost trading post for furs in the Northwest. A settlement wholly French for some time, its oldest streets still carry many of the first settlers' names. And the descendants of these early French are still among the leaders in social, civic and financial affairs. The second period began with the influx of the English and the winning of the West by the young Republic. The discovery of the great copper mines of the Upper Peninsula, the growth of a large-scale timber industry and the opening of the richest of salt deposits in and around Detroit belong to the nineteenth-century city. Finally, there is the Detroit of the twentieth century, whose chief concern has been the manufacture of automobiles.

Through timber and ore and salt Detroit became a city of wealth before the gasoline combustion engine was a reality. Moreover, the city possessed the largest drug manufacturing plants in the world and was the stove centre of America. It had great copper foundries, steel mills and alkali works. But, above all, it had long established and well invested fortunes in far-flung financial enterprises.

The banking fraternity grew up with the town for almost a century. The historic names of Detroit and Michigan and the Northwest territory were bound up in the banking business, the lineal and social descendants of Lewis Cass, Zach Chandler and other city founders. All that implied integrity in business and honorable tradition were linked with Detroit's banking group. There were—and are—the Algers, the McMillans, the Newberrys, the J. B. Fords, the Holdens, the Stairs, the Murphys, the Clarks, the Sheldons, a list containing the names of all those whose families for almost a century played a part in the upbuilding of the city, not only industrially and financially but socially and politically. These men or their fathers were in the saddle when at the dawn of the twentieth century the horseless carriage startled Detroit.

It is a signficant fact, which too many observers overlook, that the energy and vision and money which went to make the great motor car industry came from Detroiters. The leaders of Detroit today, the men who are bearing the burdens of the "great come-back," are not outlanders, but are men indigenous to the

soil of the city; their fathers and their grandfathers who laid the foundations are buried here. Their fortunes were wrested from the pine forests and the mines. They left to their children a heritage not alone of wealth but of hardihood, for not only had they the discipline of the pioneer but they had lived simply and taught their lessons well. Detroit to them, and to the world at large, was "the city beautiful." Though a city of diversified manufacturing, its main streets were arched with magnificent shade trees and its parks were beauty spots known the world over. Theirs was a city of established wealth and culture before the honk of the motor horn was ever heard on any hill.

Of the early giants of the automotive business the only one whom I can recall who was not a native of Michigan was Henry M. Leland. Henry Ford, John Dodge and R. E. Olds—the other three most significant figures in the early task of placing the world on wheels—came into Detroit from suburban and near-by towns to work as machinists. Henry M. Leland was a machinist and inventor who decided to branch out for himself after having made fortunes for others in Massachusetts.

Like all other great steps forward in the world's mechanical progress, no one man, nor any group of men, can be given complete credit. But this is true—the Dodges had the machine shop and Leland the engine works, while the others had the ideas and the enthusiasm. Even the river contributed its part. Detroit, always a great yachting and shipping centre, gave much thought to boat construction. From the rivermen came the first idea of making an automobile something besides a horseless carriage with a gas engine screwed into it. Their suggestions did away with the dashboard and brought about the first crude plans for streamline bodies. And the steering "stick" gave way to the yachtsman's wheel.

All this should serve to explain why native Detroiters resent any suggestion that theirs is a boom town. Detroit, they will tell you, was made in Detroit—by Detroiters.

Truly, and logically enough, Eastern and world capital poured into Detroit, because there were dividends to be made. Production had to be stepped up to satisfy the demands of the entire world and the city took tremendous strides. But the backbone was in and of Detroit. The founders of the new industrial dynasty were not speculators nor jobbers. They were machinists who had learned their trade at the bench; they knew machinery and they knew mechanics. They believed in good wages for good men. Responding to the thrill of adventure, the skilled young mechanics of America poured into Detroit. Of such as these were the Fisher brothers, out of neighboring Ohio.

It was this historic trek of mechanically minded youth to the new machine Mecca that gave Detroit its reputation for dash and verve and seeming insouciance. Youth was in the saddle. The same spirit that had earlier called adventurous young men to the West, now called the sons of those adventurers to Detroit. These sons were skilled artisans who loved machinery and their imaginations saw the beginning of a great romance. There was no place then for unskilled labor because not only had the motor car to be built but the whole system of production had to be worked out.

Even in the second period of Detroit's history there had been some foreigners in the city, but they were sturdy citizens of the finest type. The Irish and the Scots and the English

added their strength, and the great stabilizing, home-loving influence of the Germans made its significant imprint after the Civil War. The roots of Detroit's civic life were strongly implanted long before the machine age came with its mass production and the inrush of labor.

In the year 1900, when the motor age was nascent, Detroit had a population of 285,704; by 1905, when Henry Ford commenced his first small production, it was 353,238. By 1910, when this man Ford was emerging as a fascinating world figure, the population had grown to 465,766, and in 1914, when the Ford company startled the whole industrial world by announcing a flat $5-a-day wage scale, the figure had reached 658,970.

Those skilled mechanics who had flocked to Detroit when the motor was aborning had advanced rapidly in the new industry. They forged the way. The demand for cars was so great that all energy was concentrated on methods of turning cars out faster. In this way the science of mass production was developed in all its glory and tragedy. The master mechanics had created a great production machine but it could not run itself alone. There had to be human robots to feed the monster. Labor was scarce and labor had to be plentiful to keep the machine going at its established tempo. Mass meetings of citizens and business leaders to devise plans for bringing in more labor achieved nothing. Some even suggested that the government permit the temporary entrance of Japanese coolies. Henry Ford solved the problem—$5 a day for every workman, even doormen and messengers. The second rush to Detroit began, but it was not a rush of adventurers. There was no romance in the new influx; it was strictly utilitarian. Negroes from the South and South Europeans poured in by the thousands.

These unskilled laborers swelled the city's numerical population until today the metropolitan area of Detroit represents well over 2,000,000 people. Though the mold of the city's life had been cast, old Detroit had to meet the problem of the onrushing horde. Vast new territory was taken into the city, and the city was bonded to the hilt in the building of great sewage and water systems. Year after year tremendous road-building programs went on. The municipality plunged into debt to orient itself to the new order of things. The United States health statistics show that the money was not spent in vain, for in recent years Detroit has been the healthiest city in America.

During the wild days of the World War, Detroit became the machine shop of the nation. To meet the demands of the war lords great additions were built on every plant and new ones sprang up overnight. There followed that historic spending orgy throughout the world when "F. O. B. Detroit" became familiar at all the crossroads of the earth. Detroit, the highest-wage city of the world, was by far the most prosperous.

In the latter days of the era a President and many economists said that poverty had been vanquished, that we would know it no more. Detroiters believed in that whole-heartedly. A two-car garage and a chicken in every pot comprised Detroit's religion, long before it was formulated by a President. And why not? Had not Henry Ford, at the age of 40, quit a $25-a-week job and in less than ten years become one of the richest men in the world—and not by stock market gambling nor by lucky strikes in some gold rush, but through his creative genius? Nor was he the only one. Vast volumes could

not give in detail the names of all the men whose mechanical and industrial daring and genius had been rewarded with many millions. Material success was the fetish of all Detroit. Then came the crash of October, 1929.

The brains, the initiative, the energy of all Detroit had been concentrated on industry. Yet it is a remarkable thing that while these industrial and financial leaders paid little attention to the government of the city, they did--as good business men—throw around it safeguards to protect it until they had time to look into it themselves. Thus, while Detroit has had some woefully inefficient municipal administrations, there has been relatively no graft, and no political machine has ever been able to gain control.

In 1916 a group of Detroit business and professional men organized the Detroit Bureau of Governmental Research. That bureau is privately financed. It is wholly non-political. Its director and staff of experts want no publicity and get very little. They avoid the spotlight and dodge all controversy. Their task is to report impartially and accurately on the conditions found in each municipal department. When necessary—which is seldom—the directors and the newspapers do the rest.

At first there was opposition in the City Hall, but now harassed department leaders and city executives welcome these experts. The members of the bureau have, in fact, created an invisible, vicarious government of rectitude. They are not reformers and they advocate no "isms." They never participate in any political campaign. They work with and not against whoever happens to be in office, and public opinion does the rest. They prevent but never expose graft. Theirs is a triumph of constructive service without thought of ballyhoo or glory.

Another organization, the Detroit Citizens League, does take a militant part in the political life of the community; it, too, is made up of a group of disinterested business leaders. In 1918 a new non-partisan city charter was adopted and since then this organization has done splendid service not in playing politics but in accurately and fairly reporting before each election the qualifications of the various candidates. Once its report is made the league's rôle in the campaign is over.

Nevertheless, Detroit has not had a strong municipal government; its capable and aggressive men have been elsewhere engaged. Perhaps that helps to explain why in the past eleven years Detroit has had nine Mayors! Only two have ever completed their full term. The rest have died or resigned or have been defeated. One was recalled.

Despite this utter lack of leadership in political affairs, Detroit has carried on by means of the extramural government outlined above. It is a paradoxical tribute to the dynamic element, still a part of Detroit's older citizenship, that so feeble and interrupted a government should be able to function for many years without corruption creeping in.

Politically as well as sociologically the vast numbers of unskilled laborers in the city's population present a problem, yet not one that is insoluble. Detroit, the once ideal residential centre, fought to remain so. The partial success of this fight has been due to the fact that the first great increase in population was composed of young mechanics of the highest type of intelligence. Quickly assimilated, they conformed to the city's ideals. Most of them were unmarried and as they took unto themselves the respon-

sibilities of family life, they imitated older Detroit by establishing homes of their own.

Detroit was a city of high wages, vast new fortunes and youth. New ideas fell on fertile soil. There were never any congested tenement districts. Nearly everybody either worked in a motor factory or had some member of his family that did. They could take a car apart and put it together easier than they could a jigsaw puzzle. Every family had some kind of a car and could make it run. Time and space were annihilated in getting to and from work. Congestion did not arise in a city forging out into the great open spaces with sewer and water systems, schools and fire protection. And with ready money and dreams of still more, city planners were able to make attractive programs for recreational centres and other modern social conceptions. Those who pleaded for caution in such public expenditures were laughed to scorn. Detroit was proud that it led other American cities in advanced public school systems, juvenile courts, hospitals and many less practical ideas of modern times.

No doubt all these expenditures helped vastly in reducing crime, in raising the general public health and in arousing the hope of a gradually oriented city life, but the day of reckoning came when the market crashed on that fateful day in October, 1929. The automobile business felt the impact first. The average American who believed that he must have a new car every year changed his mind and decided to get along with last year's model. Detroit was hit harder than any other large community in America. The city staggered under the blow and then arose to meet the emergency. Large employers of labor, charity organizations and the city government cooperated in the creation of a vast welfare bureau with the slogan, "No man, woman or child goes hungry." None did.

For three years Detroit struggled, waiting for the tide to turn. The Detroit banks carried the load. In a sense, Detroit banks have always been "small-town" banks. That is, the bankers knew their customers and their various enterprises; there was nothing cold and impersonal about their relations with those who sought loans. And as the city shot ahead in a few, brief, dazzling years to become a metropolis, boasting of being the fourth largest city in America, these kings of finance never lost their common touch. Through neighborhood branches they still kept in intimate contact with their people.

Through the three awful years of the depression the banks weathered the storms and carried on the business of the city, both municipal and private, and declared an unwritten moratorium for the half million home owners who had mortgages on their dwellings. But with the steady withdrawals of money for purposes of existence and the tremendous depreciation of real estate values, the struggle was terrific.

In Detroit there were some bad banks and some bad trust organizations. This was inevitable in a city grown so large. For example, the American State Bank took chances on ventures that the older and wiser bankers refused to consider. It became the centre of high financing that could not be stopped during the hysterical days of super-prosperity before the fateful October. A year after that crash the doors of the American State Bank and of all its many branches closed. To save the city from panic and disorder the First National

Bank stepped in and took it over, guaranteeing the deposits.

This was a great blow to the financial structure, but it still stood the test. The tremendous resources of long-established wealth and the absolute public confidence in the two principal institutions staved off disaster. Behind the Union Guardian group there was not only a tradition for soundness but the knowledge that Edsel Ford, Henry Ford's son and partner, was a director and heavily interested. Behind the First National group there were ties of faith and confidence that were not broken even when its doors were closed.

There are thousands of business men in Detroit today, men in the downtown area and men out in the great neighborhood settlements, who went through school with money borrowed for them as youngsters by their fathers at the First National Bank. That institution and its directors had started their fathers in business. If Detroit had any one wholly accepted religion it was faith and confidence in and affection for the First National Bank and those other banks with which it had been merged.

The First National Bank was one of the first half dozen banks in size in America. You might make a gullible Detroiter believe that the river was overflowing its banks, but you could never make him believe that anything could happen to the First National. Had it not carried the city through the panic of 1873? Had it not stood by the whole community in the dark days of 1893 when every man faced ruin? Had not Senator James McMillan placed his whole fortune on the table at that directors' meeting and said: "Gentlemen, everything I have is yours; we must save our bank and our city." And had not all the others followed suit? Detroit of this generation had been weaned on such stories. How, then, could such an institution fail in 1933—after what it had done in 1873 and 1893?

What happened may never be known. It came during the last dark, tragic days of the Hoover administration; on Lincoln's Birthday, in fact. The government examiners had declared the bank solvent, as they had the Guardian Bank of Commerce. The Union Guardian Mortgage Company, an auxiliary member of the latter group, was in trouble because of the depreciation of real estate values. A loan was asked of the Reconstruction Finance Corporation. It was refused.

Government agents asked that the Union Guardian group close its doors. And then asked the same thing of the First National! Just, they pleaded, until the storm blew over. Many months later the Treasury Department officially declared the two institutions insolvent—though no bank examination ever showed them to be that as going concerns.

Here, again, was the test of that spirit which for want of a better name is called dynamic. The people of Detroit stood by the closed banks! Among the 800,000 depositors there was no rioting, no bitter complaining. Tradition and that intangible something which goes to make up faith, gave these people confidence in those banking officials.

The dynamo is beginning to whirr again, the shiny new motor cars are pouring forth from the reawakened treadmill. The average American who thought he would keep "the old bus" running for another year finds, with a regular pay check coming in once more, that he must have a new car. Detroit is swinging back into its own, a wiser and better city because it has lived through the fires of adversity.

National Rivalry in Shipping

By ARTHUR WARNER

[Arthur Warner, a frequent contributor on nautical subjects to newspapers and magazines, has made a study of world shipping, including a special investigation for the United States Government. He is the author of a book of the sea entitled *A Landlubber's Log.*]

DURING the years since the World War there has been, despite almost continuous hard times, a notable evolution in steamships and their traffic. Already in shoal water in 1929, world shipping since then has nearly scraped bottom. Passengers and cargo have been scarce and rates low. A great deal of tonnage has been laid up, and returns gathered by Lloyd's show that, for the quarter which ended June, 1933, the total merchant vessels under construction in the world amounted to only 732,495 tons, the lowest figure in fifty years.

Two tendencies, opposite although not necessarily conflicting, have appeared in these depression years. On the one hand, there has been keen rivalry for still bigger, faster, more luxurious passenger ships; on the other, there has been stiff competition to win less prosperous travelers by offering attractive accommodation at low rates in vessels of modest size and speed. Thus shipyards have been turning out super-liners which necessitate high fares and, at the same time, cabin ships which offer at moderate prices travel of a new standard of excellence.

But the apparent anomaly is not so great as it first seems, for there have been economic reasons for building both super-liners and cabin ships. Apparently in hard times as well as in easy, profits are to be gleaned by that steamship company which can offer the latest and most fashionable transportation. And the appeal of the cabin ship in an era of deflated pocketbooks is obvious. Even apart from reasons of economy there appear to be many people, and in increasing number, who are irked by the formalities of first-class travel in the super-liners, preferring fewer furbelows and greater freedom. It would be a mistake, though, to suppose that this evolution of passenger ships is entirely, or even mainly, economic in origin. Modern nationalism finds one of its chief expressions in the merchant marine, and the shipbuilding program of the last four years has been supported largely by government subsidies.

Although speed, size and luxury have been almost equally important goals in transatlantic service throughout the present century, they have not generally been sought in the same ship nor by the same company. Each line has tended to specialize. Thus in the early years of the century, after the Germans had won the speed pennant of the North Atlantic, the Cunard and White Star Lines set out to re-establish British prestige. But they chose different means. The Cunard Line concentrated on speed, regained the pennant from the Germans in 1908 with the Lusitania and Mauretania, and held it until 1929, when the North German Lloyd captured the record with the Bremen. But the Germans in turn eventually lost the speed pennant when in August, 1933, the Italian liner

Rex established a record for an Atlantic crossing. The White Star Line, on the other hand, decided to abandon speed and devote itself to providing a maximum of comfort for its passengers. Broad, steady vessels were built, larger than the Cunarders but not so fast. To this day the White Star Company has in the Majestic the largest liner in service. Meanwhile, the Compagnie Générale Transatlantique, better known as the French Line, while contenting itself with vessels of less speed than the Cunarders and smaller in size than the White Star giants, directed its effort toward luxury. In a series of vessels, culminating in the Ile de France, it won a name for luxurious travel that was hardly disputed until the Italians produced the Rex and Conte di Savoia.

While in the past speed, size and luxury have not usually been combined in a single ship, the French Line is now seeking all three in the Normandie, which was launched last Autumn at St. Nazaire. It is estimated that it will register 75,000 gross tons as compared with the 56,000 of the Majestic. The Normandie is 1,027 feet long; the Majestic 915. Reared cn end, the Normandie would rise higher than the Eiffel Tower. There will be accommodations on board for 3,490 persons, including a crew of 1,320. This ship will also seek the maximum in speed, and if the thirty knots, which is said to be the goal, is attained, she will surpass the Bremen and the Rex. The turbo-electric system which is to propel the Normandie represents one of the significant developments of the last few years. Steam turbines are used to operate dynamos in which electricity is developed for turning the propellers, a method which, it is claimed, produces less vibration than when steam turbines operate on propellers by means of gears. Such a technique has had wide acceptance in the United States, but this is the first time the French have adopted it for a ship of great size. Not only has the Normandie been designed to outdistance existing vessels in size and speed, but it also is proposed that the new ship shall maintain French prestige in luxury. Within the great vessel there will be a shopping street, a chapel seating 200 persons, and an all-night terrace-café.

When this year the Leviathan was withdrawn from service, presumably for good, the United States abandoned its attempt to compete with foreign nations on the North Atlantic in the race for speed, size and luxury. A German-built vessel, the Leviathan—formerly the Hamburg-American liner Vaterland—was interned in the United States at the outbreak of the World War and eventually was allocated to this country. Later it became the chief asset in the American post-war attempt to win a dominating position in the transatlantic passenger service. For a time it enjoyed considerable popularity with American travelers, but operating costs were always high and eventually proved almost ruinous. The withdrawal of the Leviathan removes the last first-class American ship from the transatlantic service. This failure to compete successfully with high-class Europeon service has been attributed partly to American liquor laws, but more to the lack of enough vessels of the right type. Competition, it has been argued, is hopeless without approximately weekly service; for this purpose three steamships like the Leviathan would have been needed. Although there is force in this contention, it must be added that, besides other handicaps, American shipping still has something to

learn from high-grade European ships before it can meet them on even terms.

The United States, nevertheless, has been and is a formidable competitor in the other direction which shipping has been taking—that is, the initiation of improved standards of travel at moderate prices. In fact, the appearance on the North Atlantic of the Manhattan and Washington as cabin vessels has set foreign competitors, especially the Cunard Line, by the ears. The British company, in fact, has threatened in consequence to break its agreement with the other companies for uniform passenger rates. The Manhattan, which was commissioned last year, and the Washington, which went into service this season, are practically twin vessels of 24,000 gross tons each and are capable of speed of more than twenty knots an hour. But they carry only cabin, tourist and third-class passengers. That is, the highest fare is practically a second-class rate. Not only are cabin liners under the American flag attracting travelers, but a number of companies engaged primarily in cargo business have developed a profitable traffic by offering a limited amount of passenger accommodation on a one-class basis at rates as low as, or lower than, those usually charged for tourist tickets. It should be noted, too, that American companies have successfully entered services other than the transatlantic. Many excellent new vessels have in the last few years been put into operation on the Pacific Ocean and to South American ports.

Along with the evolution of the steamship, there have been changes in the character of the traffic. A decade ago the average transatlantic steamship carried three classes of passengers—first, second and third, or steerage. A few of the older and slower vessels, which were turned over exclusively to passengers paying second-class fares, were popular with travelers who were not too much pressed for time and were satisfied with modest appointments. For one reason or another, vessels of this sort came eventually to be known as cabin ships. The term is really without significance, but it has stuck, and the cabin ship is today an institution on the North Atlantic. Most of these cabin ships carry what amounts to first-class passengers at practically second-class rates and also provide for tourist and, sometimes, for third-class travelers.

More important even than the advent and popularity of the cabin class at sea has been the rise of the tourist class, which, as many persons will recall, had its origin in the limitation of immigration to the United States that occurred soon after the World War. As a result, ships, which in 1913 had carried hundreds of thousands of steerage passengers to the United States, then cleared for America from European ports with their steerage quarters almost empty. Revenues suffered in consequence, for steamship companies had been making more out of their third-class than their other traffic.

In the crisis it was suggested—there is a dispute about the origin of the idea — that the largely unused steerage quarters be revamped and offered at modest rates to American citizens, many of whom did not feel able to pay the first-class fares which had been greatly increased by the war and post-war rise in prices. In 1925 the idea was timidly and tentatively tried on several ships. An instant success, it became a reigning fad. This tourist third class, or student third class, was designed especially for col-

lege students, teachers and similar groups. Jazz orchestras and a predominance of youthful passengers made life gay in the new class. Gradually, by common consent, "third class" was dropped from the name and then the new mode of travel was accepted for persons of moderate means. The prejudice which had existed among Americans for years against traveling second class was not felt against the new category, although actual accommodation was more primitive.

Nor did the blight of the depression stunt the development of the tourist class. Its standard began to rise. Not only were one-time third-class quarters to a large extent transformed into tourist accommodations, but the second cabin also was invaded in the search for more room. New vessels were constructed with spacious, specially designed quarters for tourists until eventually the second class gave way entirely before the demand for tourist quarters. Today there is no second class on transatlantic steamships except on the Bremen and Europa and on some of the Italian vessels.

Of course, the disappearance of the second class has been an evolution in name rather than in fact. The tourist class of today has grown into something far different from the segregated and perfumed steerage of its origin. Actually it is the old second class under a new name, freed of the prejudice once felt against the former.

But as the tourist class improved it became more expensive. The depression set travelers to hunting for bargains and not a few of them turned to the old third class, which now was considerably more satisfactory than in the days of mass immigration. Sensing the demand a couple of years ago, some of the companies began to offer what they called a "restricted third" for the benefit of travelers with white collars but depleted pocketbooks. This development was only a repetition of what had taken place half a dozen years earlier, another cycle in the same process which had led to the emergence of the tourist class. It is held out to students and others willing to rough it just as previously was the tourist category.

The evolution in classes in the past four years has played hob with the old-time relations between class and fare. Formerly transatlantic passenger fares were graded primarily according to class. The quality of the specific ship made some but not much difference. Today the age, size and speed of the ship have become the primary considerations, and it is possible to travel first class on some of the older, slower vessels for less than the minimum rate on certain newly built cabin steamships. It has been proposed—and the suggestion is receiving considerable support—that classes be entirely disregarded in establishing fares; that prices for a given standard of accommodation be based solely on the age, size and speed of the ship.

Yet this evolution of the steamship, particularly in the past four years, has not been wholly the result of economic conditions. The strong spirit of nationalism which was fired by the World War, and has been fanned by the industrial depression, has nowhere been more evident than at sea. Of the five principal nations engaged in transatlantic traffic—the United States, Great Britain, France, Italy and Germany—only Great Britain has treated shipping as normal business. All the other nations have assisted their merchant marine financially; it is this State aid which has been responsible

for the advances of the past four years. The emergence of the Italian luxury liners, Rex and Conte di Savoia, is a case in point. The building of the mammoth Normandie is another. The construction in American yards of the cabin ships, Manhattan and Washington, is a third.

Great Britain has been the historic home of unsubsidized shipping. Her encompassing merchant marine has been brought into existence through that principle. Practically no navigation or construction bounties have been paid since steam and iron began to supersede sail and wood. Postal contracts are awarded by Great Britain not as subventions, but, as nearly as possible, on the basis of cost of service. The only important lapse in this practice was in the building of the Lusitania and Mauretania, and special conditions then dictated policy. The elder J. P. Morgan had just reached out and swept into his International Mercantile Marine a great part of British transatlantic shipping. Great Britain, alarmed for its ascendency at sea, was especially fearful lest the Cunard Company would suffer the same fate as the White Star and other companies. This was prevented by a contract in 1903 with the Cunard Line, which allied it with the Admiralty and led to the building of the Lusitania and Mauretania, practically as auxiliary cruisers. In return for two vessels of twenty-five-knot speed, estimated to require three times the power of twenty-knot ships, the British Government lent the Cunard Company $12,653,000 at 2¾ per cent interest and promised an annual subsidy of $730,000 for twenty years.

With this exception Great Britain has not subsidized shipping. Its policy led to a significantly different course from that of France when, after the appearance of the German liners Bremen and Europa in 1929 and 1930, both the British and the French set out to surpass them. What was eventually christened the Normandie was conceived in France, while in Great Britain the Cunard Line began, early in 1931, the construction of a similar giant vessel, known simply by the number 534. But the industrial depression deepened. In 1931, when transatlantic passenger traffic was 32 per cent less than in 1930, the Cunard Line suspended work on the 534. The reason was not inability to raise money for construction, but a belief that under existing conditions the ship could not be operated at a profit.

Meanwhile, the French Line went ahead, depending upon subvention from the government. Just as Great Britain has been the home of free shipping, so France has set the traditional example of a subsidized merchant marine. For more than a century France has given State aid to its shipping, mainly through mail-carrying contracts. But the murk of the world slump enveloped the French Line as well as other companies, and in 1931 it had to lay its situation before Parliament. It was admitted that the company had lost $1,200,000 in 1931 as compared with a net profit of $680,000 in 1930, but it had falsified its books and declared a fictitious dividend in order to float new securities. The Cabinet asked Parliament for permission to lend $12,000,000 to the line, with a recognized board of directors controlled by the government. The full amount was not voted, but in 1932 $4,400,000 was advanced and more liberal mail contracts were arranged, the government taking a mortgage on the company's property.

The Germans have not done much notable building in the past four years, but in the post-war decade they constructed a splendid new merchant

fleet—largely through liberal government loans—in place of their pre-war tonnage, which was practically all forfeited under the Treaty of Versailles. Under Mussolini the Italians have made an intense effort to build a great merchant marine. Steamship service has been coordinated with the government-owned railways, and in 1931 the Italian transatlantic lines were brought under single control; construction loans and operating subsidies have been granted. The effort has resulted in the advent of the luxury ships, Rex and Conte di Savoia, of about 50,000 gross tons each and a speed of 27 knots an hour. The Conte di Savoia has Sperry gyroscope stabilizers, the first to be installed on a passenger ship.

During the depression the United States has continued the subsidy policy initiated by the Jones-White Act of 1928. Construction loans are made, practically at their cost to the government, and postal subsidies are granted, not on the volume of mail carried but on the size and speed of the vessel and the length of the route. A recent statement of the United States Shipping Board said that forty-two fast ships of 500,000 gross tons had been built since 1928, while forty old vessels of 260,000 gross tons had been modernized. A total of $210,000,000 has been expended, of which $146,000,000 has been advanced by the government.

Thus, unlike many other businesses, there has been no halt in the advance of the steamship during the depression years. Unfortunately, however, the great development has been stimulated by government subsidies rather than by economic need, and for this reason the demands of world traffic for the years that are immediately ahead may have been wrongly envisaged.

America's Bankrupt Churches

By CHARLES J. DUTTON

[The author of the following article is pastor of the Unitarian Church in Des Moines, Iowa.]

THE Protestant Church in America is bankrupt. Widely extended denominational programs can no longer be supported upon their present basis. Thousands of local churches are finding it well-nigh impossible to keep their plants operating. Many churches are closed. Pledges to both church and denominational budgets are not being paid. Money for missionary work is running low, and missionaries by the hundreds, their stations closed, are being called home. Church publications have been forced, because of the terrific financial strain, to change from weekly publications to fortnightly or monthly; many have been discontinued. Though denominational activities as a whole are being kept alive, their vitality is low, and there is not a church leader that does not face the future with a heart filled with dismay and fear.

Little has been said in the public press regarding the effect of the depression upon the churches. Denominational papers, likewise, have for some unknown reason only hinted at the situation. Church conferences have even voted that "editors of church papers be requested to make no reference to any specific reductions in the salaries of ministers." Lately, indeed, there has been an effort—it appears to be deliberate propaganda—to stress the fact that though there is a depression, church attendance has increased, a claim that is open to doubt. But nowhere is there any honest facing of the fact that the churches of America are in the most desperate plight in their history, that the high-pressure, overextended denominational systems are on the verge of collapse.

A study of the yearly denominational budgets, which represent the unified work of various denominations, reveals clearly how serious conditions are. For the year ended March 31, 1933, the four benevolence boards of the Presbyterian Church had a deficit of $1,056,004. The budget of the Disciples of Christ showed a loss of $751,459 for 1932, 35 per cent of the amount pledged. The unified budget of the Northern Baptist churches called for $2,550,000 for the first six months; they report a deficit of $1,-347,000. A drop of 46 per cent in contributions was reported by the American Board of Foreign Missions for the period from January to May, while at the same time the board declared: "This is the most critical time in our history—we may be forced to close." Consider any denominational figures, Methodist, Lutheran, Episcopal, the facts are similar—budgets are in the red; programs are seriously threatened.

The plight of individual churches in the cities and small towns of the United States is even more hopeless. Last year, in city after city, scarcely a church met its budget, or was able to finish the year free from debt; 1933 promises to be still worse. For many years to come the American churches will be forced to operate upon the

smallest budgets within memory. Less money is being pledged by church members and there is no assurance that what is pledged will be received. At the same time churches are staggering under insupportable debts; credit has been exhausted; scarcely a bank anywhere is willing to make a church loan. And so the churches, faced with foreclosure proceedings, have reduced payrolls by dismissing assistant pastors, parish visitors, choir leaders and other workers in a futile search for economy.

Ministers' salaries in many cases have been slashed from 5 to 50 per cent. But the "balancing of the budget" has not stopped there. In thousands of churches, ministers' salaries are two to five months in arrears; some parishes have asked that these arrears be given as a gift to the church. One denomination reported that its churches in a certain Middle-Western State owed their ministers more than they had paid them in 1932, and the report admitted that "this debt will never be paid."

Nearly everywhere the situation and procedure are the same. A church board discovers that if the budget is to be balanced less money must be spent. Where can economies be effected? The minister's salary is the most obvious opportunity, and so it is reduced. If, in the next few months, things are still not going well, he suffers again. In many congregations the depression has been used as a pretext to reduce salaries out of all proportion to the needs of a trained ministry or the ability of the congregation to support their church. Let the minister make the sacrifice of income, is the cry.

Though the depression is responsible for much that has happened, a good many of the difficulties in which the churches have run might have been avoided. For twenty years thoughtful voices warned them against extravagant expenditures. No complete, nation-wide church census statistics exist for the period since 1926, but from 1906 to 1926, church expenditures in America increased 149 per cent. Church debts during the same period rose a little over 300 per cent—200 per cent more than the expenditures.

The expansion of church debt resulted largely from the absurd and stupid building mania which from 1924 to 1930 afflicted nearly every congregation in the American cities. That was the period of $1,000,000 churches, of $5,000,000 apartment-hotel churches. We were told then that a church must be financed as is a corporation or public utility—by the public sale of bonds, marketed by skillful publicity. Banks and bond salesmen pestered the public, claiming that there was no safer investment than a church bond. Churches announced elaborate new buildings, "complete with swimming pool, gymnasium, recreation hall." Today a host of these same churches are swamped with debt; their bonds are in default; foreclosures loom ahead.

The blame for the building orgy cannot be laid to the ministers. Every minister has been told, time and again, by his trustees, "You are not a business man." The trustees, on the contrary, qualify as "business men"; they admit it themselves. But these lawyers, bankers, shopkeepers, the so-called successful members of the congregation, were the church trustees who believed speculation would last forever, who rushed ahead in a wild effort to outstrip some rival denomination by building an enormous church. Nor should it be forgotten

that there was an element of profit in building churches. It was not always love for religion which caused a church board to decide upon a large plant.

The majority of these elaborate churches were financed through local banks, which were eager to lend upon the new building. Bond issues were floated and recommended by the banks which had advanced the money. These bonds, sold to widows and people of small earning capacity, people ignorant of investments, carried the guarantee: "It is your church and the investment is safe." So great churches were erected and provided with educational facilities which belonged to the public schools, recreational rooms which should have been community enterprises, moving-picture auditoriums to compete with the theatres, gymnasiums and swimming pools to supplement those of the Y. M. C. A. and the clubs. Nothing was too good, and no expense was spared.

Today most of these "religious" institutions are bankrupt. Bond issues have been defaulted. Banks, which sold the bonds, now declare that churches are not good risks. Some banks hold church bonds and have suffered losses also. The bondholders, of course, might foreclose. The courts might award the bondholders a $300,000 church, but after they have taken possession there is nothing that can be done with the building. Thus, useless for business ends, the churches are left to stagger under debts that mount higher every month.

Let us consider conditions in two typical cities. The first is in the Middle West. It is said that not a single church in this city of 150,000 escaped a deficit in 1932; and it is rumored that every clergyman in the city has suffered a salary cut, ranging from 10 to 50 per cent. During the last seven years five large, modern church buildings were erected in this city.

In three of the five parishes it is doubtful if new structures were needed. One congregation decided upon all the fads of the institutional church and then erected a building—financed by a bond issue—in a section of the city where none of the social services was needed. Even before the congregation entered the new building, it was being sued for the fixtures. The bonds have paid no interest, and it is doubtful whether they ever will. Foreclosure has been avoided only because the plant is so large and in such a location that it cannot well be used for anything but a church. Two other churches in the five have likewise defaulted upon their bond issues, and it is known they will never be redeemed. The fourth, by desperate efforts, manages to exist—though the bondholders have been asked to make a gift of their bonds to the church. The fifth is safe as long as two of its members retain both their interest and their money. Not one of these five churches is meeting its budget.

Similar conditions prevail in an Eastern city of the same size. Ministers' salaries have been cut to the bone, and nearly all budgets are in the red. In 1929 there was built in this city what purported to be the finest Methodist church building in the country. It covered a city block and cost over $1,000,000. But it was never needed in the form in which it was built. Once again the bonds were sold to small investors. Last year, only a few months after completion, this church was running $2,000 behind every month. Its bonds are now in default; the institution is bankrupt; and what to do with it no one knows. Naturally, the bankers who sold the bonds

are deaf to appeals for further loans.

These stories are not exceptional; they can be duplicated in virtually every city in the United States. Is the challenge overdrawn? Certainly the reports of the denominational leaders bear it out, though at present these reports are not being thrust upon the public. Here are excerpts from a few:

Detroit: "Church budgets slashed to the bone, salaries of ministers cut as much as 60 per cent. For years churches will be crippled." Philadelphia: "The bulk of churches built since 1926 are bankrupt, ministers' salaries cut as many as three times." Washington: "Ministers' salaries cut to lowest point in years—church budgets slashed—many activities done away with—many churches bankrupt." New York: "Seventeen young graduates of Lutheran theological seminaries agree to accept 'voluntary poverty.' Pastorates are available, but not enough money to give a living wage. They will receive lodging and food." The Episcopal Diocese of New York has recommended a 20 per cent cut in all expenditures and salaries. The New York "Presbytery of the Presbyterian Church reports $130,000 drop in benevolences." "Twenty-four-story hotel-church of Manhattan, Congregational, in bankruptcy." Broadway Tabernacle, "acclaimed the most elaborate church project in America, in financial troubles so involved that no one can solve them." The Pastoral Conference of the Lutheran Church has admitted that it "must try to overcome a situation which spells bankruptcy and threatens our very existence." Los Angeles: "Ministers' salaries cut to bits and churches in horrible condition." Chicago: "No one knows what the future holds for many churches—salaries and budgets cut, and not being met." One could go on for pages, with the same statements, the same dark picture—all drawn from denominational reports.

Conditions in the small towns and villages are even worse. The country churches were not infected by the building craze to the same extent as were the city congregations, nor are their troubles due to heavy debts. But thousands of rural churches have been closed. Ministers have been told that they could live in the parsonage without salaries. Vacations this year are longer—from six to eight weeks—but ministers are taking them at their own expense. It is a common occurrence that when a new minister comes to a church his salary is fixed at from a third to one-half below that of the man who preceded him. Salaries themselves have reached a point where they are scarcely above the level of unemployment relief. Virtually everywhere discouragement and fear reign.

Recently a country minister told me his story. "I have come to you for advice," he said. "What am I to do? For twenty-five years I have served my church—and a year ago my present charge said they could no longer pay my salary. It was only $800. I had no other place to go, so they proposed I live in the parsonage, and preach to them every Sunday as before. I was told they would take up a collection once in a while, and give me produce from their farms. Now my wife is very ill and must have an operation. In the last twelve months I have been paid but $103. What can I do? What shall I do?"

In thousands of country churches throughout America similar tragedies are being enacted. Before this man left he told me the sorry story of the plight of his fellow-ministers in country churches. Men whose salaries were never above $900 a year have been cut

from 40 to 75 per cent. Others have been told that their churches can no longer pay any salary, but that they may continue to live in the parsonage. Some ministers once in a while receive the collection and are given what the farmers can bring them in the way of food. Time after time a minister has been told at the annual church meeting that no fixed salary could be paid, but that the church would give what it could.

Caught in the financial break-down, the destruction of the farmers' prosperity, the general misery of the country, thousands of churches had no choice but to reduce their budgets to a point which would enable them to continue functioning. The small churches in the cities, whose membership is exclusively among the working class, have made desperate sacrifices to keep alive. So with many of the country churches. For these there can be only sympathy and praise, but not so for many others.

Among certain business and professional groups in middle-class churches, there has been a stampede to shift the financial burden to the shoulders of the ministers. There are two bad phases of the situation. First, the average business man has been unable to understand that any change has taken place in the economic life of America. He waits for business "to return," while he struggles along with a skeleton staff, hoping that tomorrow things will come back to "normal"—and by normal he means the speculative period of 1928 and 1929. Secondly, what he believes and what he is doing, the church at large is doing, because its management is dominated by this type of individual. They refuse to realize that budgets must be put in order and activities curtailed because the future is likely to be wholly different from the past. They do not understand that, even if there should be "recovery," the debts piled up during the depression are so great that it is impossible for many churches ever to "recover."

The truth is that many of the activities of the larger churches should be discontinued. Not a few churches have been spending large sums upon programs which were simply entertainment, mere recreation. Such, in the future, should be the function of other public institutions. There is no real reason today for a denomination to pour money into schools, hospitals and sanitariums. Yesterday there might have been; today such things should be supported and maintained by the general community. Clearly these facts must be recognized. Instead of waiting and hoping for a return of past prosperity, the churches should be asking themselves three questions: How many unnecessary functions have the churches assumed? Are there too many churches? Has the time not arrived to admit that the duplication of churches in most communities has lessened the effectiveness of all churches, and brought them to the point of financial ruin?

Perhaps recognition of this last fact offers the only solution to the financial difficulties. For years there has been a race to see which denomination could erect the most costly and ornate buildings and have the most elaborate program. In many instances competing churches stand almost across the street from each other. In any event, they serve the same community, a community which more and more is becoming indifferent to denominational lines, indifferent even to religion. Today many of these beautiful and costly churches have wrecked those who built them, brought hard-

ship and worry to those who planned them, aroused hatred and ill feeling among those who bought their bonds. It is time the churches faced this fact and realized that thousands are staying away from services either because they cannot meet their pledges or because they are afraid of being asked for a contribution.

Church leaders will say that during the depression church attendance has increased. In some places it has, but there is every indication that such is far from true the nation over. There is not a clergyman who does not know of members who are staying away from church because they can no longer make a contribution. Not a few churches, indeed, have sent out letters saying they hope that the fact the member is behind in his pledge, or has made no pledge, will not keep him from church. But many such members will not respond and many will never re-enter any church.

There is an escape from the church's financial dilemma, though there is little hope that denominational leaders will take it. At present religion in America falls into three well-def groups—the liberals, the Moderr and the Fundamentalists—three visions which are found within tually all denominations. If the surd differences of creed could be : gotten, if denominational and comp tive lines could be swept aside, usel and hopelessly bankrupt churc could be closed and all churches organized along the lines of th three shades of religious belief. To so would be to reduce the enormc present waste in effort and mon and perhaps to save the church. T step will not be taken, because would mean the end of denomir tionalism.

Instead, church boards, pan stricken by the condition to wh: their own folly has brought them, w reduce the ministers' salaries, defa on their bonds, put a loss upon th bondholders, and cut budgets to t lowest possible figure, hoping for ha pier days. Meanwhile, the churcl are bankrupt; their denominatioı programs are in chaos and their fina cial condition grows worse day by d

The American Note in Drama

By Montrose J. Moses

[For over thirty years a dramatic and literary critic and historian, Mr. Moses is the author of a number of books on subjects in his field and editor of various important collections of plays.]

THERE can be no drama without faith in something or indignation against some condition or thorough knowledge of the thing talked about or clear-cut notions of character or feeling for time and place. And yet we existed a long time on a drama that possessed none of these qualities. Our dramatists of many generations gone by ran lightly over the surface of American life, and wherever they accidentally struck a sensitive native spot and wrote in an observant manner we hailed the result as a great stride toward revelation of ourselves. But they were writing at that time for a theatre that depended upon the clever manipulation of outward situation; they were pulling wires with a clever dexterity, and we applauded, as we still do, novelty of material rather than true insight into the phenomena of American life.

Such plays as *Alabama, Arizona* and *In Mizzoura* by Augustus Thomas had about as much connection with the soil as a Pullman car running on steel rails through those States. *The Witching Hour,* another of his plays, which possessed particular raciness and exhibited a polished technique, was hailed by contemporary critics as an excellent example of native virility, and we pointed with pride to the very evident Kentucky flavor in it. There were American dramas in those days that flirted with native condition, and we were so poverty-stricken in our possession of any native condition at all in our theatre that we tossed our hats in the air at their presence and proclaimed our good fortune. Charles Klein, after reading Ida Tarbell's *History of the Standard Oil,* wrote *The Lion and the Mouse;* Edward Sheldon, after reading an editorial in *Collier's,* produced *The Boss.* These plays were successful, but if you had mentioned to such dramatists a social responsibility, they would have looked dazed and would not have understood you.

The sense of locality had crept into our theatre, however, through the lowlier forms of drama; and, in those early days of the Augustus Thomas era, there were the farces of Charles Hoyt which, crude in structure, were yet vivid in their topical interest; and there were the realistic sketches of Edward Harrigan which were transferred from a city political milieu to a stage that had no particular milieu at all. There was a certain elemental character in the studies of types which Harrigan exploited. And, however wooden the old Yankee dramas were, they also were attempts to portray sectional peculiarities. But somehow they were all peculiarity, with little of the nerve structure to make them indigenous—merely clever exploitations for the clever imitations of the actor. What would a Harrigan play have been without Harrigan and Hart; what would those threadbare Yankee dramas have been without the vivid externalities of "Yankee" Hill?

We forgave the crudities of *Uncle*

Tom's Cabin because it dealt vigorously, however falsely, with a condition, and fell upon ears primed to receive it. The presence of the Negro in the play carried with it necessarily the sectional South. Yet one felt in *Uncle Tom's Cabin* neither the atmosphere of Kentucky nor the foreign flavor of New Orleans. Sentimentalism and the fervor of Abolition gave sinew and blood to an otherwise mawkish example of melodrama. Nevertheless, Mrs. Stowe's novel, and the various plays made from it, remain social documents.

It was by way of the novel and the short story that the realism of locality began to show its best qualities. Edward Harrigan and James A. Herne were definitely of the school of W. D. Howells. On the other hand, Harrigan and the minstrels were exponents of the spontaneous in drama, masters of improvisation; they were native, they were correctly seen and felt, they had a tang of humor attached to character, to lowly origins. It was perfectly natural that Harrigan should be praised by Howells for his Molièresque touches, even though he dealt with humanity on Sixth Avenue, the Bowery and in the east side political wards of New York City. The Negro, as he appeared upon our early stage, must have been acted with some show of verisimilitude, some fine shadings of reality. But, preserved to us on paper, the Negro is only the shell, a grotesque image blackened up, far different from the *Emperor Jones*—the comic black equivalent of the comic Irishman who was exploited by the folk drama of the Abbey Theatre. So, even though the stage Negro forestalled his presence in literature, it was not until Joel Chandler Harris assembled the stories of *Uncle Remus* that we got the correct reporting of Negro dialect. About this time also there appeared the fiction of Mary E. Wilkins and Sarah Orne Jewett in New England and the typically Southern tales of Thomas Nelson Page. George W. Cable also opened up a wealth of dramatic temperament and color in his Creole sketches.

The American theatre remained oblivious of all this unique flowering, just as it had remained indifferent to the romanticism of Hawthorne, the mysticism of Emerson, the virile democracy of Whitman. The stage went its way, building plays on the English model, and dressing up lay figures in the costumes of Indians, cowboys and business men. The novel went its way exploring beneath the surface, and the wheat fields of the West, the hemp and tobacco fields of Kentucky and Virginia were revealed to us by Frank Norris, James Lane Allen and Ellen Glasgow. They gave no surface features, but etched deep lines of identification into the soil.

Because we felt a need for something native on our stage we lost our balance in an ecstasy of praise on the first performance of *The Great Divide* by William Vaughn Moody. Our enthusiasm was caught and held by a certain poetic sensitiveness, by a certain direct sincerity which, up to that time on our stage, had been given inadequate expression. There is no denying the significance of that play in an era when it stood alone as an example of poetic handling of native stamina. In those days our drama was as faint-hearted as in a former age it had been dull. And *The Great Divide,* under the managerial guidance of Henry Miller, was pared down not to shock the moral acceptances of the time, the measurements of good taste, curious as they always are in the theatre! Originally *The Great Divide*

was called *The Sabine Woman.* No box-office public wanted or would have tolerated such a title in the '90s. The play itself was weak in its consistency, artificial in its commentary, and it slurred its thesis. It is believed that somewhere a version exists that better represents Moody's artistry. Yet, even as the work was given to us, it was an honest effort to dramatize the struggle between Puritan reserve and the urge of life to break the walls of custom.

Up to and immediately after the World War no American dramatist had the bravery or the spirit to break away from the old conditions and follow new paths or experiment with new forms. Although a restlessness had entered the theatre elsewhere, our playwrights continued to move on the surface of things. No wonder we were shaken by such plays as *The Great Divide,* Eugene Walter's *The Easiest Way* and Langdon Mitchell's *The New York Idea.* How often did we hear in those days, when sincerity lifted its head ever so slightly: "At last, the American Drama has arrived!"

There is a machinery to folk drama —variations in speech, peculiarities of custom and ritual, colorfulness in balladry. It is this machinery that necessitated some guide to the pronunciation of the dialect of the Croatans of North Carolina in Loretto Bailey's *Job's Kinfolks,* that called forth a note on Maine dialect by Sidney Howard, when he published *Ned McCobb's Daughter,* that resulted in the little brochure on cowboy songs and folk ballads as supplementary to Lynn Riggs's *Green Grow the Lilacs,* that carefree panorama of Oklahoma frontier life. And it is the over-accentuation of these details in production that has so often been unjust to folk material. How terrorizing were the notions of how the Southerner talked in such plays as Gillette's *Secret Service* and Belasco's *Heart of Maryland!* We should not have to talk dialect but merely suggest here and there that we are talking it. It would be unfortunate if the museum quality of folklore should be allowed to sap the vitality of folk drama.

The refining of our awakened folk consciousness was the next step in the extension of Professor Koch's playwriting idea. One cannot write drama except on the basis of broad culture and broader human understanding. It is not a "trick" to upturn the soil, to get away from the confines of artificial civilization and to reach the mesh of life which is common, not to one nationality but to life itself. It does not take away one iota from the individual worth of Paul Green to say that his *The Lord's Will,* the tragedy of a country preacher, is also the tragedy of Ibsen's *Brand;* that his Croatan outlaw drama, *The Last of the Lowries,* keens with the sorrow of Synge's *Riders to the Sea;* that the imaginative fancifulness of *The No 'Count Boy,* a Negro idyl, has some of the reckless cadences of *The Playboy of the Western World.* And who could find fault with the similarity between *The House of Connelly,* by Green, and *The Cherry Orchard,* by Chekhov? It is inevitable that, with the deepening attachment of our drama to native condition, there should come a broadening of sympathy. Our drama in the past has been too aloof, too lacking in cultural contacts. But now when you talk with the younger generation in the American theatre you find them in a swift, energizing current of mental alertness. They have roots in our soil, but their vision seeks far horizons.

This concentration of interest in the

atmosphere of locality, this growing realization of religious expression of groups of people, the relation of these people to the law, to community life, to political organization, have carried still further the idea of native drama. The new playwright's attention has been directed to the American scene in its fullest extent. From the excellent results of locality interest, that interest is becoming more and more universalized. Young writers have been driven into the direct line of influence which made Ibsen write *Pillars of Society* and *An Enemy of the People*, and Tolstoy write *Powers of Darkness*. Their culture has brought them into direct contact with the spirit that moved Hauptmann in writing *The Weavers*, and Galsworthy in the writing of *Strife*.

Thus we find that *Strike Song*, by Loretto Bailey and James Bailey, her husband, a play that has come from the University of North Carolina school of drama, is a burning indictment of the bitter fight carried on by the textile mill owners of Gastonia and Marion, N. C., against the United Textile Workers. Behind this scoring indictment, which portended a possible conflict between political and industrial interests and a State university, the president and the faculty stood squarely. The situation as stated thrills one, for it shows the theatre shouldering its social responsibility. Yet *Strike Song* is not a drama of special pleading but a poetic molding of folk attitudes into a universal picture of industrial discontent and human aspiration. It was born of an intimate background. "For three years," the authors explained, "we wrote and rewrote, drawing from our heritage as of the people ourselves." That is what culture can do for a local condition. It is when such strong feeling touches the pen-point that it rises above its realistic detail and becomes poetry. Its theme ceases to be localized, its characters and its actions take on universal significance and symbolism. The girl who becomes the strike ballad maker is not merely a striker. The authors have transfused a record of industrial events that are shown in anger, in poverty, hunger and death and brought it to an end with a poetic shout of victory. This play is a clear indication of how an intense people can convert fact into legend.

Then came the revolution in the theatre. It was the mental and spiritual upheaval of a group of writers who went abroad and became conscious of the sterile, stereotyped drama we had at home. New blood came into the playhouse, new endeavor went into the Little Theatre movement. Opposition to methods that were stultifying creativeness through the dominance of a managerial autocracy, which was bad enough for such a city as New York, but worse when it gripped the entire country, came from groups outside the theatre.

Our first realization of folk drama came with the initial visit to this country of the Irish Players from the Abbey Theatre in Dublin. The preachments of W. B. Yeats and Lady Gregory struck our ears with particular poignancy. And we were thrilled by the intimate native feeling of these Irish plays and their players. We had nothing like it to show our visitors. Later we found ourselves just as bereft when Stanislavsky and the Moscow Art Theatre company reached America, though the Theatre Guild was no mean example of our artistic endeavor. We had been ignorant of what was stirring in the European theatres. Ibsen, Hauptmann, Shaw were only half-heartedly

known to us. But now we began to be socially conscious in the theatre. Out of our reading of foreign plays came a broader outlook, a less parochial understanding of moral values. After two decades of shiftings and readjustments the results have been a deeper, more incisive examination of ourselves, a stock-taking of resources which had always been available to us, but which had been scarcely touched in the theatre. The mountaineer of Tennessee, for instance, had been pictured romantically in a series of novels by Charles Egbert Craddock under the spell of Scott; but the mountaineer's inner being had never been penetrated from the angle of his own outlook, his world had not been measured by any rule of measure of his own. Plantation songs showed the Negro in his relation to a landed gentry, but the Negro spirituals had not yet begun to impress us with any meaning as reflecting the Negro's personal life.

Much of the credit for the awakening of local consciousness must go to Professor Frederick Koch, who, starting his experimental playwriting courses in North Dakota, brought them finally to fruition at the University of North Carolina. It was a very simple idea he had; he asked one of his first drama students, "Have you ever been in New York?" "No," was the answer. "Then why do you write a play about a storm in New York, when you live in the cyclone district of North Dakota?" The evident wisdom of this challenge has remained his guiding principle in teaching dramatic composition and in evolving a folk theatre in North Carolina. Professor Koch's students dived into the storehouses of family memory and brought forth the authentic stuff of drama. The treatment may have at first been crude, but the point of view was vitalizing. Those first plays may have been more folk sketches than folk drama, somewhat monotonous and with too much emphasis on peculiarities of dialect. But the evidences of vigor could not be denied. Professor Koch saw that the inclination of the young writer was toward tragedy, and so he turned his students toward a consideration of the comedy of native character.

Professor Koch has, for twenty-five years or more, been faithful to that first idea of his, and he has so thoroughly taught and demonstrated it all over the country that to him we owe not a little of the authentic honesty that has come into American drama. It is not too much to claim, for example, that Owen Davis, beginning his prolific career in thirty-cent melodrama long before Koch was heard of, uncanny in his unerring use of old theatre tricks and well-timed theatre punches, answered Professor Koch's challenge when he wrote *The Detour* and *Icebound*. It was the Koch idea that made the author of *Convict 999* win a Pulitzer Prize.

In Paul Green, at his best, there is a rhythm that comes when there is a passionate dealing with folk material. You feel it when you read Marc Connelly's *Green Pastures;* it is one of the commendable qualities that mark Lynn Riggs's *Green Grow the Lilacs*. The sincere moments of the Heywards' *Porgy,* shown by the side of the theatricalism of Belasco's *Lulu Belle,* measures the difference.

These young authors are typical of the spirit of the new American drama. There are many more, hailed by Barrett Clark with an inexhaustible faith that they are building what he calls an "adult" theatre. By that is meant no doubt a theatre shorn of old-time

claptrap and fustian, that sees clearly and fearlessly into the inner being of character, seeks revelation rather than disguise, and demands an eager concentration on large human motives and stirring truths.

Where, in this theatre, would Eugene O'Neill find a place? Some say he started it. He may have been among the first to express its spirit, but he carried over into the new theatre the old gift given him by his father—a love of melodrama such as one got in James O'Neill's greatest success, *The Count of Monte Cristo.* There was folk sturdiness in O'Neill's sea plays; he wrote out of a bitter hatred for his broken life in New England when he created his *Beyond the Horizon* and *Desire Under the Elms.* But most of his plays, badly constructed and unduly expanded, have been too carelessly flung forth. Often he falls into the old-time stage error of pinning faith to stage effectiveness, without concern as to whether or not his situations or characters are fundamentally and soundly conceived. His *Mourning Becomes Elektra* is weak in its grasp on its material for the simple reason that O'Neill, entertaining as he always is, eloquent as he is in his style, always suggests that he is imposing upon himself problems to which he must fit his characters, even if he has to distort them. The girl's self-imposed doom of loneliness in *Mourning Becomes Elektra* was studied neuroticism which served well O'Neill's showmanship. The mother failure and the sheer theatricalism of the murder of the child in *Desire Under the Elms* were not true to nature. The folk element in O'Neill was never deep-rooted, even though *The Emperor Jones* is his best expression of folk drama.

We should take it as a very significant happening in our theatre that we have become conscious of ourselves rather than imitative of others. Frontiers of a new drama are everywhere. Carl Carmer, writing in *Theatre Arts Monthly,* began an article with these words: "Alabama is more than one of the States. It is another country," and proceeded to point out how rich the State is in dramatic material. In another article he considered the Cotton Belt in the same light. Lyle Saxon has pointed out that New Orleans is unlike other American cities, but George Cable, years ago, demonstrated this in his sharp-edged stories. I have recently come across some reproductions of pictures by John Sloan, dramatizing on canvas the racy, brightly colored life of the Southwest. There are flashes of *He Who Gets Slapped* in the streets of Santa Fé; there are beauties of Indian ritual that put the Indian of our old dramas to shame.

On every side we hear: Write of the life around you, protest against the condition that attempts to engulf you, dramatize America. We have never had such incentive as we have now to "go native." George Arliss, writing of our moving pictures, says that one of our striking characteristics as a nation is our eagerness to assimilate anything that will help to strengthen and improve what we are doing. We listen to the office boy if he has a suggestion to make. Public reforms, as Emerson said, begin as private opinions. Professor Koch has every reason to exult that his private idea of folk drama as first practiced in North Dakota and further sustained in North Carolina has been so thoroughly assimilated throughout the land.

Current History in Cartoons



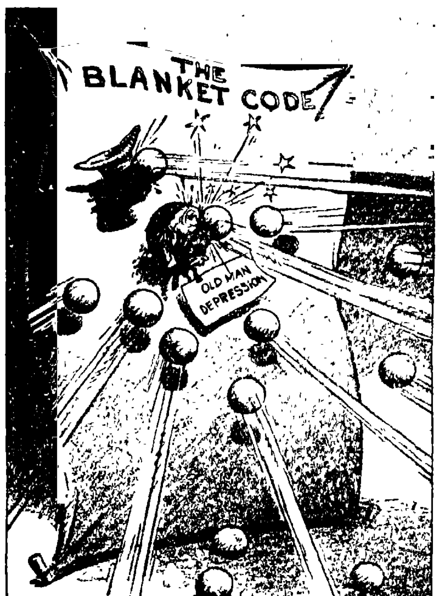
Probably Noah was likewise delayed
—*New York Herald Tribune*



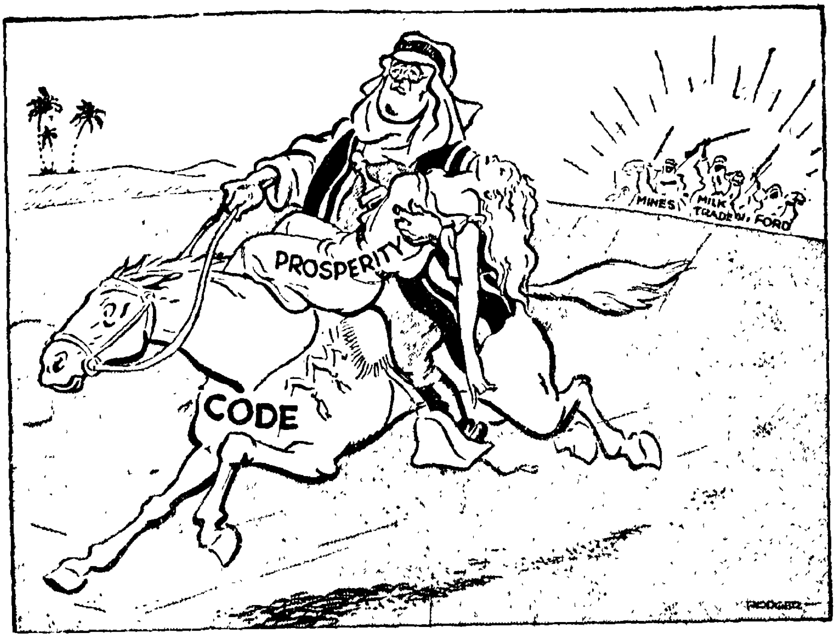
Another big parade
—*St. Louis Post-Dispatch*



"An' the gover'ment 'ill git you ef you don't—watch—out!"
—*Chicago Daily News*



At last we've got him where we want him!
—*New York World-Telegram*



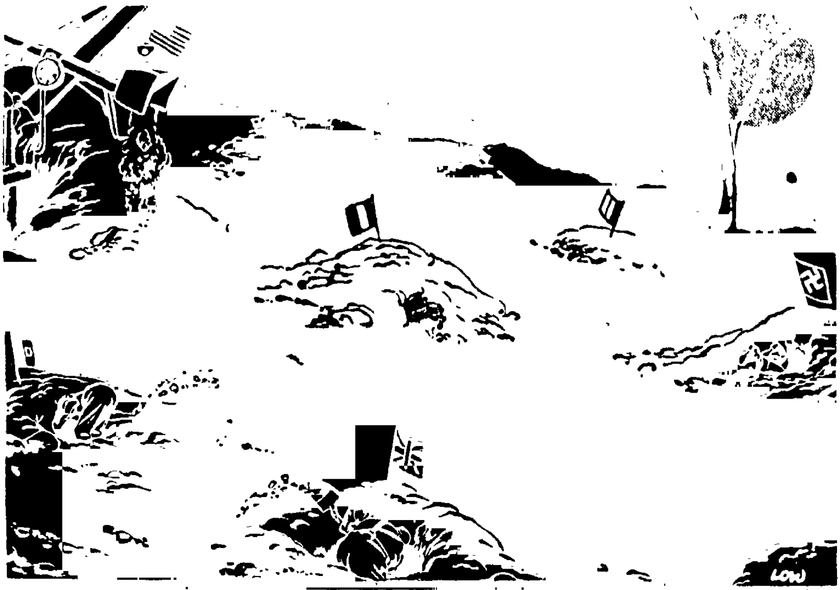
Awfully romantic, but will he get away with it!
—*Glasgow Daily Record*



Among the new books
—*Cleveland Press*

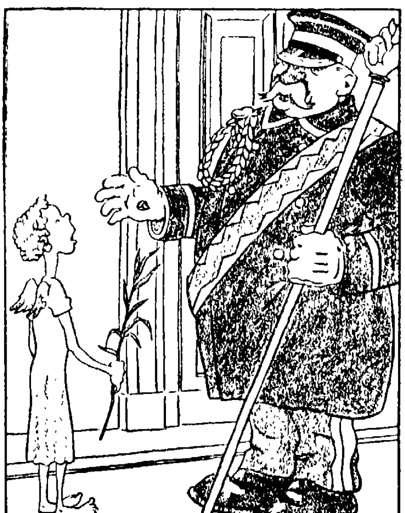


Dollar yo-yo
—*Kladderadatsch*, Berlin



The Latest Political Wisdom—"Every one else is digging in, we must dig in too"

—*Glasgow Evening Times*



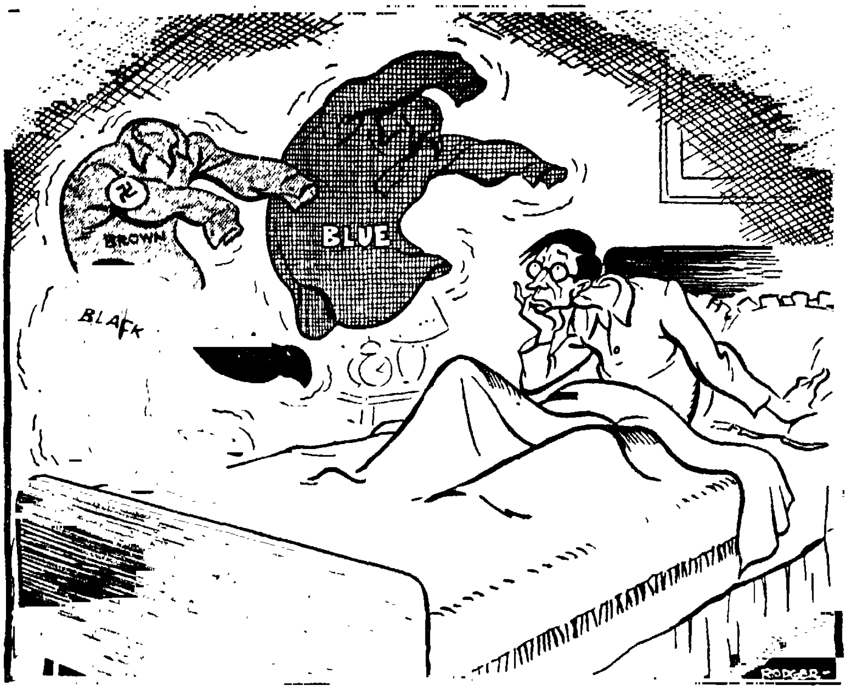
Doorman at the League of Nations—"You want to go into the Disarmament Conference? Impossible. Only armament manufacturers are admitted here"

—*Mucha,* Warsaw



The man who never learns and never forgets

—*Chicago Tribune*



A blue lookout

—*Glasgow Sunday Mail*



Mr. G.—"Well, Nanny, here we are back in the dear old jail again. And it seems as if they weren't going to let us have a real, comfortable martyrdom after all. Now, I ask you, is that fair? Is it cricket?"

—*Glasgow Bulletin*



Blow out!

—*Baltimore Sun*

A Month's World History

The Powers Protect Austria

By ALLAN NEVINS
Professor of American History, Columbia University

AFTER weeks of anxious watching the Foreign Offices of France, Great Britain and Italy agreed early in August that the time had come to intervene between Germany and Austria. The Austrian Chancellor, Engelbert Dollfuss, though virtually dictator, had failed by Aug. 1 to win a definite victory over the Nazis of his country who were striving to overturn the government and replace it with one subservient to Adolf Hitler. He was caught between two fires. From Germany came a constant stream of propaganda; within Austria itself the adherents of Hitler were resorting to terrorism.

In this difficult position Chancellor Dollfuss took a series of shrewd steps. As early as last Spring he had obtained assurances from Premier Mussolini that Italy would not countenance German aggression in Austria. Later, at the London Economic Conference, he achieved considerable personal popularity among the delegates, and, with the assistance of German blunders, won general moral support for his government. One important gain that he took home with him was a joint promise by France and Britain to underwrite most of a $43,000,000 League of Nations loan to Austria. In the next few weeks Herr Dollfuss lost no opportunity to impress on the French, Italian and British Governments that Austrian independence was in the balance. Daily dispatches from Vienna reported German airplanes circling over the Tyrol, scattering leaflets assailing the "repressive" policy of Dollfuss's government, or inflammatory broadcasts from the Nazi radio station at Munich, or minor affrays along the Austrian-Bavarian border in which the aggressors were dressed in the uniforms of German military organizations.

France and Britain decided on Aug. 3 to make simultaneous and identical protests to Germany. There was some hesitation about the procedure, especially as Italy announced that she would not join forces with the other powers, but would present informal arguments to Hitler in a spirit of "friendly remonstrance." On Aug. 6 Ambassador François-Poncet handed the French note of warning to the German Foreign Office, while the British Chargé d'Affaires, Basil Newton, called on a similar errand. But to the disappointment of the French, the latter delivered his message orally and not in writing. In the joint representations Great Britain and France reminded the Reich that Article LXXX of the Treaty of Versailles and the newly signed Four-Power pact guaranteed the independence of Austria,

and that German efforts to break down the existing Austrian Government were therefore a violation of treaty obligations.

Although hopes for the success of the British and French remonstrances were not bright, the immediate result was disappointing indeed. A curt statement, published by the German Foreign Office, not only denied the charges in something less than diplomatic language, but bluntly told the powers that their interference in Austro-German affairs was "inadmissible." The rebuff caused Great Britain to adopt a cautious attitude, and she declined to take further steps. In France chagrin turned overnight into criticism of the Four-Power Pact, an agreement never wholly endorsed by the French people. On the very day of the representations at Berlin another frontier incident proved that the Nazi temper was as ill-restrained as ever. An Austrian sentry patrolling near the town of Kufstein was ambushed and killed by a band of ten men who afterward fled into Bavaria.

But if France and Great Britain had failed, there was some consolation in the apparent success of Premier Mussolini's negotiations. On Aug. 9 he advised Paris and London to make no further protest, for he had obtained a satisfactory statement from Adolf Hitler that Germany desired to halt the anti-Dollfuss propaganda. This was taken as a diplomatic promise to restrain the Bavarian Nazis. Great Britain, convinced that Mussolini's previous relations with Hitler qualified him for the rôle of arbitrator, announced that she would leave the matter in his hands. But France, with large political and financial stakes in Central Europe, and distrustful of the spread of Italian influence, continued negotiations with Chancellor Dollfuss in the hope of strengthening his position. France has always realized that the territorial effect of a German-Austrian union would be to encircle the western and larger portion of Czechoslovakia with a Teutonic empire which, considering the present imperialistic temper of the Nazi Government, would be a distinct menace to Czechoslovak independence.

The issue between Austria and Germany brought to life some of the spectres of pre-war Europe. The Nazi talk of *gleichshaltung* between all Germanic peoples revived memories of the old imperial ideal of a united *Mittelcuropa.* It recalled the more recent attempt of the Bruening Government in Germany and Chancellor Schober in Austria to arrange a customs union between their countries. The storm of protest which this proposal aroused in France has not yet been forgotten. The French succeeded in frustrating the project by appealing with unimpeachable logic to the terms of the peace treaties. At that time Austria greatly desired the customs union because it would break down the tariff barriers which hampered her industry and kept her an impoverished State. But France was not inclined then, or even more recently, to compensate Austria for her loss of a trade outlet through Germany by opening a gap in her own tariff wall.

Yet last month, France, in the face of the German Nazi threat, revised her policy. When it became evident that in spite of Hitler's promises to Mussolini he might not relinquish his promotion of the Nazi movement in Austria, Premier Daladier let it be known that he would do anything in his power to support Chancellor Dollfuss. He proposed a system of tariff preferences which would admit Austrian manufactures into France. And when Herr Dollfuss took advantage of the Kufstein incident to ask Paris,

London and Rome for permission to increase the effectiveness of his army, Paris was the first to grant consent. France, however, was soon given to understand that although her friendly offer was appreciated in Vienna, Chancellor Dollfuss was turning to Italy for succor. He felt that his chances of direct support in Rome were more promising.

Mussolini, having fairly consolidated Italy's position in the Mediterranean, has recently given much thought to Central European affairs. He notoriously believes in an economic union of Austria and Hungary, with Italian participation. Rumors have persisted that he is even flirting with a plan to restore the young Habsburg prince, Archduke Otto, to the throne of a reunited Austro-Hungarian empire under the beneficent protection of Italy. These rumors have been more favorably received in Budapest than in Vienna, which, until the Dollfuss dictatorship, counted itself a Socialist and republican city. Though Chancellor Dollfuss might not consent in the long run to any real overturn of Austria's political system, he proceeded to bind himself tighter to Il Duce as German pressure from the north increased.

About Aug. 15 the situation seemed most critical. Alarmist reports came from Vienna of vast forces training throughout Bavaria to wage a guerrilla warfare along the border. A number of Austrian Nazis, having been expelled as a result of their activities or having fled for safety into Germany, were actually being assembled in semi-military camps outside certain Bavarian cities. The number of these expatriates or "traitors," as loyal Austrians dubbed them, was between 6,000 and 8,000. In Munich, Theodor Habicht, a Prussian member of the Reichstag, who till his expulsion in June had been Adolf Hitler's "Inspector" or chief of propaganda in Vienna, broadcast repeated and violent radio speeches in which he charged Dollfuss with thwarting the "natural determination" of the Austrian people. The natural determination of the Austrian people would, most Germans sincerely believe, be union with the Reich under the leadership of Chancellor Hitler.

But the salutary effects of Mussolini's support soon began to appear in a stiffening of the attitude of the Dollfuss Government toward Germany. The Austrian Chancellor notified Paris, London and Rome that he wished to raise his army to full treaty strength. The Austrian Army numbered only 22,000 men, although the Treaty of St. Germain permitted 30,000. To notify the powers of this perfectly lawful step was an example of the tact and astuteness with which Dollfuss has managed his difficulties. That Austria had plenty of material to increase her army became evident when 1,000 sharpshooters were ordered to the Bavarian frontier to reinforce the regular guard. To intimidate the Austrian Nazis, Dollfuss further issued a decree that all those leaving the country without permission, or agitating against his government abroad, were to be punished by forfeiture of citizenship.

The exact nature of Mussolini's direct cooperation with Dollfuss was not made public, but it was said to consist in supplying military equipment and subsidizing Austrian newspapers in order to counteract German propaganda. Oddly enough, Il Duce's support of Dollfuss did not prove fatal to his friendly relations with Adolf Hitler. The Nazi leader, who has modeled many of his policies along Italian lines and has expressed great admiration for Mussolini, was singularly taciturn during the entire

month. It was noteworthy that the only National Socialist of any prominence who took an active part in the affair was Theodor Habicht. To him went the glory and also the responsibility. Toward the end of the month it began to appear that there would be far more responsibility than glory in it for the Nazi party. Although friction between Germany and Austria had not abated, Mussolini was becoming the dominant factor in the situation and Hitler was not strong enough or skilful enough to change the course of events.

With the political crisis gradually subsiding, Il Duce turned his attention to the economic phase of the Austrian problem. At his invitation Chancellor Dollfuss on Aug. 19 made a hurried week-end trip to Italy, where he met Mussolini at the Grand Hotel in Riccione, on the Adriatic. Returning to Vienna, he disclosed nothing of what had been discussed; but in a few days the nature of the conference became generally known.

Authoritative reports stated that an economic agreement had been reached by which Austrian goods entering Italy would receive preferential treatment. This would provide a market especially for lumber and machinery, and incidentally curtail Italy's imports of these commodities from the United States and Germany. A similar agreement to provide an outlet for Hungary's agricultural products was negotiated immediately afterward. Both Austria and Hungary will be granted free zones in the Port of Trieste, presumably for a small annual payment. As neither nation has any ships, it goes without saying that Italy will have two profitable customers for her new merchant marine. This agreement would also solve the problem of Trieste, which up to now has been a port without a hinterland.

What other advantages Mussolini will gain for Italy, and just what will be the direction in which Central European affairs will develop, were topics for speculation as August closed. France was particularly anxious on the subject. She has no reason to expect Italy to respect her interests in the Danubian countries, and should Austria and Hungary prove docile to Mussolini, there is likelihood of increased friction between Paris and Rome.

THE WHEAT CONFERENCE

With the world's wheat stocks standing on Aug. 1 at 960,000,000 bushels—a record figure for that season of the year—thirty-one nations instructed their representatives in London to make a determined effort to limit crops and exports. The first session of the World Wheat Conference, which met in conjunction with the Economic Conference, had accomplished only half the task. It had succeeded in persuading the great export countries—Canada, Australia, the United States and Argentina—to agree tentatively to reduce their external shipments 15 per cent for the next two years. The Danubian wheat-growing countries had obtained a satisfactory quota for their exports. The great remaining task was to persuade the importing countries to buy more wheat abroad.

Prime Minister Bennett of Canada opened the second session on Aug. 21. Behind the porticoed front of Canada House, overlooking Trafalgar Square, the conferees had enough fresh information about wheat surpluses to force them into some sort of agreement. On the first day the exporting countries submitted the draft of an arrangement which they urged the importing countries to sign. Its chief features were: (1) that the governments of

importing countries would not encourage their farmers by bonuses or subsidies to increase acreage; and (2) that they would lower tariffs and modify quantitative restrictions when wheat prices had reached a certain average, to be agreed upon later. Almost at once it was seen that the most difficult point in the proposal was the price at which tariff reduction should begin. A subcommittee, appointed to thrash out technical questions, reported that on this subject importing and exporting nations could not agree. Exporters wished the price fixed low, at 60 cents gold a bushel; while importers, to protect their own farmers, wanted it high at 68 cents.

Though a second subcommittee succeeded without difficulty in planning a world wheat commission to advise the various governments and to supervise the working of the proposed agreement, it seemed possible that the conference would still go to pieces on the question of price-fixing. The most intractable delegates were those of Italy and Germany. Both of these countries have insisted for military reasons on becoming self-sufficient in regard to wheat. France, on the other hand, which now raises enough for her own needs, has been willing to return to her earlier status as an importer. The process of encouraging farmers to produce by granting generous bonuses has become a burdensome expense to France which she would be glad to escape.

For a few days all was confusion. Most delegates thought that the other nations would follow the lead of France. Paul Devinat, her representative, hurried to Paris for consultation with his government and, almost immediately, on Aug. 25, importers and exporters reached a compromise. The completed plan, the first ever framed, provided: (1) That the exporting countries, the United States, Canada, Australia, Argentina, Russia and the Danubian States, will limit exports for two years. For the first year they agree to a joint maximum of 560,000,000 bushels. The next year all, except Russia and the Danubian countries, will reduce either their acreage or their exports by 15 per cent. (2) The importing countries agree not to take advantage of the situation to increase their crops. When the price of wheat is maintained at an average of 63.6 cents gold a bushel for four months, these countries will readjust tariffs to allow greater imports. The price is to be based on the average of weekly parcel sales of all grades of wheat at British ports.

One extra paragraph, added at the last moment, somewhat lessened the effectiveness of the agreement. It made the reservation that in countries where legislative measures have been adopted to protect wheat growers any provisions of the pact that modify existing conditions will have to be submitted to the legislature. In other words, a nation that does not choose to admit more foreign grain may preserve the *status quo*. The most important achievement was obviously the prospective reduction of crops by wheat growers, yet many observers wondered whether a 15 per cent curtailment over two years was not too mild a remedy for the vast surplus that now exists.

America Under NRA

By E. FRANCIS BROWN

"THERE is a unity in this country," President Roosevelt declared on Aug. 26, "which I have not seen and you have not seen since April, 1917, by which the American people are getting together behind the spirit of the NRA." This sense of national unity has been cultivated by all the devices perfected during America's wartime experience—slogans, posters, parades, speeches by "four-minute men" and newspaper publicity. Many men who have yet to experience the blessings of the New Deal wear the NRA consumer button, read of NRA in their morning papers, listen to talks about NRA over the radio. At the corner drug store, on the front porch in the Summer evening, about the family table, NRA has been discussed; it is the property of each and every citizen; for even those most skeptical about the recovery program are supporting it, fearful of what its failure may entail. To the rank and file. NRA has come to mean the new dispensation that will bring better times to the many even if such an achievement penalizes the few.

If in the end NRA should prove disappointing, it would not be for lack of effort on the part of the administration at Washington. Throughout the torrid Summer that afflicts the capital, the great body of men and women comprising the National Recovery Administration have worked themselves to the breaking-point in the struggle to restore national purchasing power and to reduce unemployment. Day after day General Hugh S. Johnson, the National Recovery Administrator, and his aides have sought to bring industry and labor into agreement upon codes of fair competition which would end chaotic practices in business, abolish child labor, raise wages and spread employment through shorter working hours. It has not been easy, because in the nature of things capital has never been able to afford to be altruistic, nor is labor traditionally the meek lamb ready to lie down with even a tamed lion.

Each side has been suspicious of the other. Capital, somewhat on the defensive, has fought tooth and nail against the apparent invasion of the closed shop; labor has insisted that the open shop would defeat the terms of the Recovery Act. The quarrel over this point ultimately led General Johnson and Donald R. Richberg, counsel for the NRA, to issue a statement on Aug. 23 clarifying the labor clause in the Recovery Act. While seemingly their statement gave a death blow to the open shop, it did not give complete sanction to the principle of the closed shop; as a middle-of-the-road interpretation it satisfied no one.

The hearings before which the differences between capital and labor were being aired continued during August. In financial organs, meanwhile, were appearing articles on the theme of "it can't be done"—the sort of stories which reflect the attitude of business men whenever social reforms are first proposed. Such Bourbon-like opposition in many quarters to the NRA was not calculated to lull the fears of labor that business leaders could not

be relied upon to carry out code provisions; it added to the labor unrest already manifest in the numerous strikes that were spreading through the United States. On the other hand, it must be quickly admitted that thousands of employers saw in the NRA their truest salvation.

The recovery administration, while pushing ahead with the blanket code (See September CURRENT HISTORY, page 716) and with the codes of the less important industries, concentrated its efforts upon the drafting of acceptable codes for the "big five"—cotton textiles, steel, oil, automobiles and soft coal. The cotton textile code, the first to be adopted, became effecive on July 17. (See September CURRENT HISTORY, page 716.) If its adoption had been relatively without controversy, such was not the case with the codes of the four other basic industries.

Steel, traditionally the most independent, particularly in its labor policies, presented, after a long struggle, a code which was acceptable to the administration and which received President Roosevelt's signature on Aug. 19. This code, which was to be effective during a trial period of ninety days, provided for a forty-hour week, averaged over three months, with a maximum for each employe of not more than forty-eight hours in a six-day week. The right of collective bargaining was conceded. Representatives of the NRA were empowered to inspect the records of the Iron and Steel Institute and to discuss with the directors of the institute questions regarding the administration of the code.

Because the public has been particularly concerned with the hours of work and the wages of labor, the other aspects of the industrial codes have been generally ignored. But the clauses relating to production, to prices and to unfair practices cannot be passed over. For example, the steel code establishes no specific control of production or sales, maintaining that the abolition of unfair practices will eliminate overproduction. Nevertheless, it is not without significance that "until the code shall have been amended so as to permit it, none of the members of the code shall initiate the construction of any new blast furnace or open hearth or Bessemer steel capacity." Furthermore, in order to stabilize production, members of the code may be required to furnish the directors of the institute with "information concerning the production, shipments, sales and unfilled orders of such member, hours of labor, rates of pay and other conditions of employment." In such clauses as these are stated publicly what, in a more or less secret fashion, were the practices of the old trade associations.

A code for the oil industry was approved by the President on Aug. 19, shortly before he left the capital for a holiday at Hyde Park, N. Y. Weeks of conflict between members of the industry had been ended the previous day when General Johnson presented a code in the form of what amounted to an ultimatum. Although some revision was made, the code adopted was practically that drawn up by the Recovery Administration. Besides establishing wage and hour standards, the code contained a provision allowing Presidential control of oil in interstate commerce. To what extent the permission for Federal price-fixing would be used could not be determined in advance. A Federal agency was to be set up to determine a "reasonable demand" for oil and on its findings to allocate output between the producing States. Besides aiding employment, the code was expected

to bring order into the oil industry, where overproduction has brought ruinous prices and has menaced the nation's oil reserves.

The automobile industry, which has always successfully warded off unionization of its employes, balked before the prospect of being obliged to accept the principle of collective bargaining. Eventually, the NRA made what to many seemed a serious compromise when it allowed the automobile manufacturers to write into their code the reservation that employers "may exercise their right to select, retain or advance employes on the basis of individual merit, without regard to their membership or nonmembership in any organization." Labor immediately declared that this privilege would be used as a weapon against unions, since it would be difficult to determine whether discharge of an employe under the "individual merit" clause would not be really because of union membership. The Labor Advisory Board of the NRA stated that the reservation in the automobile code was not to be considered as a precedent nor as a qualification of the law. Yet certainly in this round labor could scarcely be regarded as the winner.

One notable feature of the automobile code was the absence of the great Ford Company. Throughout the hearings on the code no Ford representative appeared, nor was it apparent at the end of August what position the Ford Company would take in regard to NRA.

The last of the "big five" codes was that for soft coal. Hearings for the industry began on Aug. 8, when twenty-seven codes were before the National Recovery Administration. To harmonize these different plans and to settle the matter of wages and hours as well as the question of collective bargaining taxed the ingenuity of General Johnson and his advisers. In the background was the constant threat of a miners' strike, since the United Mine Workers have grown tremendously in power during the past few months. At the end of July strikes were spreading through the bituminous coal fields and only the intervention of President Roosevelt through the appointment of a labor dispute board secured a truce pending the adoption of a code for the industry.

On Aug. 25, when the coal operators seemed wholly incapable of agreeing among themselves, General Johnson declared that unless an acceptable code were drawn up within three days the President would impose one of his own. This spur brought eleventh-hour agreement, and on Aug. 28 it was announced that the principal points at issue had been settled. Complete recognition of the United Mine Workers would seem to be a logical result of the code. Yet final drafting of the code was delayed, and on Sept. 1 the industry was still outside the NRA.

Fearful lest labor troubles should upset the NRA program, President Roosevelt on Aug. 5 appealed for an end to strikes and lockouts and appointed a mediation board to settle all industrial disputes. The membership of this board was as follows:

Senator Robert F. Wagner, chairman.

Leo Wolman, Professor of Economics, Columbia University.

William Green, president of the A. F. of L.

John L. Lewis, president of the United Mine Workers.

Walter C. Teagle, president of the Standard Oil Company of New Jersey.

Gerard Swope, president of the General Electric Company.

Louis E. Kirstein, general manager of William Filene's Sons Company of Boston.

This National Labor Board found

itself faced immediately with strikes in many parts of the nation. Besides the coal strike, which was really ended before the appointment of the board, disputes in the garment trades, in Pennsylvania hosiery factories and in the Hollywood film studios were settled during August by the board of mediation. Meanwhile, the appointment of the board had been attacked as tending to restrict labor's right to protect itself through the weapon of the strike.

During much of the discussion about the NRA, labor problems have been to the fore. Apparently labor is gaining considerably under the New Deal. But what is the position of business? There have been numerous complaints that the burden of higher wages and a larger number of employes will mean disaster to the marginal producer and to small shopkeepers. At first the NRA seemed inclined to let the inefficient go to the wall; more recently another mood has been apparent as General Johnson has urged the banks to be more liberal with credit. Moreover, on Aug. 28 President Roosevelt directed the chairman of the R. F. C. to plan methods for extending credit through the banks to members of the NRA.

Theoretically, once the unemployed have returned to work and the effect of their wages on the purchasing power of the nation has been felt, business as a whole will find it easy to devote a greater portion of its income to wages. At the moment, however, the effect of this increased purchasing power is negligible and some means must be found to tide business over the critical period. An easy credit policy on the part of the banks would be one answer.

Further troubles for the NRA were forecast on Aug. 14 when Professor William F. Ogburn of the University of Chicago resigned from the Consumers Advisory Board, charging that consumers' interests were not being adequately protected under the recovery program. In a letter to General Johnson, Professor Ogburn asserted that "the consumers' main interest is in prices" and that since competition, which formerly kept prices in check, is being removed from business, some system of government price regulation must be established. But the NRA has been reluctant to venture into the dangerous quicksands of price-fixing.

In the midst of the campaign to convince the country of the desirability of accepting the NRA, a few dissident voices have been heard. Some business men have not hesitated to condemn the requirement of higher wages and shorter hours as actually a disguised capital levy; others have sought to bring the fight against collective bargaining into the open, and with that in mind a meeting of industrial representatives was held at Chicago on Aug. 21. An attempt of the Southport Petroleum Company to secure an injunction against the prohibition of the shipping in interstate commerce of oil in excess of State quotas was denied on Aug. 15 by Justice Joseph Cox in the District of Columbia Supreme Court. Thus the administration was upheld in the first test of the constitutionality of the NRA.

Of great importance to the ultimate success of the NRA is the public works program. Early in the Summer much was heard of this program as a means of stimulating business; journalists talked constantly about "priming the pump of industry"; but the more spectacular story of the campaign for codes was better copy than a prosaic account of allotments for

public construction. The two divisions of the National Recovery Act, however, are complementary, and it is conceivably possible that without the inflationary device of the expenditure of $3,300,000,000 on public works the codes of fair competition would soon break down. Certainly the success of the codes depends on the rapid creation of purchasing power.

Secretary Ickes has said: "A public works dollar in a pay-envelope will go all the way through the mill of retail purchase at the local store, wholesale purchase, transportation expenditure, factory expenditure and raw material expenditure, giving the increased purchasing power the full way down the line that will aid recovery. We want payroll dollars working just as quickly as possible and not sometime in the future." In this regard it must be admitted that the actual construction of public works has moved ahead with distressing slowness. Projects are approved at Washington and then, as Secretary Ickes has said, "three or four weeks later we find that nothing has been done."

To stimulate business further, and thus to insure the success of the NRA, extensive inflation may be necessary. At the moment there is much confusion in regard to inflation. Certain groups, representing the debtor classes, favor expansion of the currency through starting the printing presses. Some hope to reduce the gold content of the dollar. For most people, including a large proportion of business men, inflation means printing-press currency. They are either ignorant of or refuse to recognize the fact that inflation can be achieved in other ways, perhaps most easily by the open-market operations of the Federal Reserve System, which practically force banks to expand credit. Thus, when it was announced on Aug. 25 that neither expansion of the currency nor devaluation of the gold content of the dollar was to be anticipated immediately, the public breathed more easily. Apparently inflation still belonged to the future. Yet, ironically enough, on the same day the Federal Reserve System reported that during the previous week it had purchased $35,000,000 of government securities in the open market. This action was "credit expansion" and, however inflationary, did not excite the public, which missed its real import.

Unquestionably business has been hampered by restricted credit, a restriction which in part reflects the aftermath of the banking collapse. Despite optimistic reports from the Treasury Department, it is clear that the American banking system has not yet recovered from its troubles. A Treasury report of Aug. 16 listed 2,870 banks with total deposits of $2,163,803,000 as either closed or operating on a restricted basis. But a bulletin published at the end of August by the Committee for the Nation—an association composed of 1,000 industrial leaders—disclosed a less pleasing condition. "The figures available at the Treasury," according to the committee, "do not include the 5,000 banks, with deposits of about $5,000,000,000, closed during the depression but before March 5. These 5,000 include the great number of large and important banks closed during January and February. The total of frozen deposits in commercial banks alone is around $7,500,000,000 * * * *nearly 20 per cent of the deposit circulating medium of the country.* * * * Furthermore, to get a true perspective, we must take into consideration $7,500,000,000 of deposits under restriction in savings banks as of May 31, not included in the Treasury's totals."

Yet restricted credit has not prevented a definite business revival. (See the article by Bernhard Ostrolenk on page 1 of this issue.) Business indices showed a slight—probably seasonal—decline in August, although they remained far ahead of the figures for a year ago. From the high of the year—99.0 for the week ended July 15—*The New York Times* index of business activity fell to 84.9 for the week ended Aug. 26. More specific figures can be cited for various industries. Of striking significance is the output of 233,088 motor vehicles in July, a total greater than in July, 1931 or 1932. In July internal revenue collections were $69,429,228 higher than in the same month of 1932—in part as a result of improved business. Foreign trade increased during July, when exports rose 21 per cent and imports 17 per cent.

Better business and the NRA have had their effect on unemployment. The Department of Labor reported on Aug. 16 that employment during July had risen 7.2 per cent since June to what Secretary Perkins estimated was the level of October, 1931. General Johnson announced at the end of the month that approximately 2,000,000 people had returned to work since March, representing, he declared, an addition of $30,000,000 a week to the nation's payrolls. But since millions were still without jobs, the problem of unemployment remained largely unsolved. Its solution will be the ultimate test of the NRA.

That the administration is well aware of the continued presence of the jobless is apparent in the plans being laid to care for them during the coming Winter. Harry L. Hopkins, Federal Relief Administrator, has estimated that unless $1,000,000,000 is provided through Federal and State appropriations "the unemployed are going to take an awful beating this Winter." In part because of their impaired resources, the States have found it difficult to satisfy the requirement of matching every dollar advanced by the Federal Government with two from their own treasuries. On Aug. 4 Federal grants for State relief totaled $107,127,776—a figure which rose steadily during the month.

One of the most satisfactory improvements in the business world has been the changed status of the railroads. The first fifty-eight roads to report their condition for July showed an increase of 424.8 per cent in net operating income over July, 1932, and 12.5 per cent over July, 1931. For June the Class I roads reported 37,651 more men employed than at the low point in the middle of March. Meanwhile, Joseph B. Eastman, Federal Coordinator of Transportation, continued his study of railroad reforms. His surveys are covering passenger traffic, marketing, merchandise traffic and carload freight movements. While Mr. Eastman has urged the railroads to spend as much money as possible on necessary repairs in order to aid employment, he has also pressed the need for economy and has succeeded in securing an agreement that $60,000 shall be the maximum yearly salary for railroad executives.

In agriculture, as in industry, the outlook is hopeful, though a short grain crop will in many regions offset the higher prices for staples like corn and wheat. In Kansas, for example, the wheat crop is expected to be about 50 per cent below that of last year; the Iowa corn harvest has been forecast at 407,740,000 bushels, compared with 539,672,000 bushels in 1932. Following the removal on Aug. 15 of the peg on grain prices, wheat and corn quotations remained com-

paratively stable for the remainder of the month; wheat and corn fluctuated around 90 cents and 50 cents, respectively.

The government has moved ahead with its plans for reducing the wheat acreage for 1934. Following the international wheat agreement on Aug. 25 (See Professor Nevins's article on pages 76-77 of this issue), Secretary Wallace announced that the farmers would be required to pledge a reduction of 15 per cent in their average plantings. This figure would involve a cut of approximately 9,600,000 acres of wheat seeding and presumably would lower the wheat crop in 1934 by about 124,000,000 bushels. By mid-August an army of workers had invaded the wheat region in a campaign to obtain contracts for an acreage reduction.

In order to raise the price of hogs, Secretary Wallace on Aug. 23 began buying the first of 5,000,000 hogs which are to be slaughtered and distributed among the unemployed. The cost of removing so great a number of animals from the market will be met by a processing tax on hogs and pork products. The Agricultural Adjustment Administration during August gave its attention to the perplexing problem of milk, which has been brought forcibly to the country's attention by a series of milk strikes that have involved the milk sheds of various cities from the Eastern seaboard to the Middle West.

It is not long since presumably acute publicists declared that prohibition repeal would be impossible, but events move rapidly in America; public opinion reverses almost overnight. So has it been in regard to the Eighteenth Amendment, whose fate seems to be settled as one State after another has voted for repeal. In fact, the question has now become, not how many States will vote for repeal, but how many will vote against. During August four more States fell into line as Arizona, Missouri, Texas and Washington plumped in the repeal column. Meanwhile, as part of the government's reorganization program the Prohibition Bureau was abolished, its duties being transferred to the Bureau of Investigation in the Department of Justice. Cabinet officers might protest that the abolition of the bureau would not affect enforcement, but it was no secret that for all practical purposes prohibition was being nullified.

The first break in the official family of President Roosevelt occurred on Aug. 27, when Raymond Moley, Assistant Secretary of State, resigned to assume the editorship of a national weekly which is to be founded by Vincent Astor, a friend of the President. During the first four months of the administration Dr. Moley, generally regarded as the head of the "brain trust," was constantly in the public eye—perhaps too much so for his own good, as the American public and the press resented his influence at the White House. Following the World Economic Conference it was frequently rumored that Dr. Moley no longer had the President's ear and Washington correspondents accurately forecast that a change was pending.

Mexican Foreign Policy

By CHARLES W. HACKETT
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TRADITIONALLY the land of revolutions, Mexico has had little opportunity to look abroad. But today, under strong and intelligent leaders, her internal peace seems more secure than at any time since 1900, and interest in affairs beyond her borders is growing rapidly. On July 30 former President Calles made a significant speech on Mexican-American and Pan-American relations that was approved by Ambassador Daniels. (See September CURRENT HISTORY, page 726.)

Official action to promote Pan-American economic unity and cooperation was taken on Aug. 10, when President Rodríguez appointed a commission to formulate the Mexican program at the forthcoming Seventh Pan-American Conference at Montevideo, Uruguay. This commission consists of former President Calles, as chairman; Finance Minister Pani and Foreign Minister Puig Casauranc. President Rodríguez referred to the Montevideo conference as being of "transcendent importance," and declared that "important projects relative to the conservation of American peace and international economic cooperation require immediate attention." A week later, in a lengthy conference between General Calles and Ambassador Daniels, the former President asserted that, in view of the formation of European blocs, the time for economic unity among the nations of the Western Hemisphere had arrived. He added that the present was the psychological moment for the American countries to unite with regard to commerce and monetary stability and to reach some understanding on the question of trade relations. General Calles and Ambassador Daniels were reported to have agreed that Pan-American solidarity must be the main question before the delegates when the Montevideo conference assembles in December.

On Aug. 12 Puig Casauranc, the Foreign Minister, issued a denial of published reports emanating from Tokyo that negotiations have been undertaken between the United States and Mexico for the establishment of an American naval base at Magdalena Bay, Lower California.

President Rodríguez on Aug. 25 requested all State Governors to attempt soon to fix minimum wages for workers in order to raise the standard of living. The President's plan, which he has been working on for more than a year, contemplates a scale of minimum wages for the various States of the republic. "I am convinced," he stated, "that the time has arrived to abandon indecisive policies and to attack resolutely the question of the fixing of minimum wages which satisfy the vital necessities of the worker. But we should not lose sight of the fact that such minimum wages should be put into effect simultaneously throughout the country." A definite plan for raising wages is to be included in the proposed six-year plan of the National Revolutionary party, the details of which are now being studied. (See August CURRENT HISTORY, pages 595-596.)

MARTIAL LAW IN NICARAGUA

A state of war for Managua and a state of siege for the entire Republic of Nicaragua were declared by President Sacasa on Aug. 2. These precautionary measures were deemed necessary because of a terrific explosion the preceding night at the government arsenal, which destroyed most of the government's ammunition. President Sacasa stated in a proclamation that he had every reason to believe that the explosion "was not the result of a mere accident." The discovery of proof that the explosion was caused by a mine planted in the arsenal was reported on Aug. 3, but on Aug. 19 President Sacasa announced that after a thorough investigation it had been found that no party or parties had been responsible for the explosion.

The state of war in Managua was suspended on Aug. 12, but the city continued under a state of siege. On account of the arsenal explosion President Carias of Honduras in mid-August offered to President Sacasa aid and cooperation on the Nicaragua-Honduras frontier. The governments of El Salvador and Guatemala also proffered assistance to President Sacasa. The receipt from abroad of 2,000 rifles and 2,000,000 rounds of ammunition to replace the greater part of the armament destroyed in the arsenal explosion was officially announced on Aug. 17.

On Aug. 21, by Presidential decree the term of the Nicaraguan commission for the settlement of claims arising from the revolution of 1926-1927 was extended for six months—to July 1, 1934. The commission has been empowered to settle all claims except those excluded by law.

President Sacasa on Aug. 18 announced that the National Bank of Nicaragua would lend $1,500,000 to the government for its economic rehabilitation program. Because of a large coffee crop and a considerable increase in the exportation of bananas, Nicaragua's export trade increased 14 per cent during the first six months of 1933.

PANAMAN NATIONALISM

Early in August a consumers' agreement, the object of which was to increase the use of local products, was circulated in Panama. Those who signed promised to refrain as completely as possible from consuming any foods not produced in Panama and from buying foreign manufactures if those goods were made in Panama. Included among the signers were President Arias and members of his Cabinet.

On Aug. 17 *El Diario de Panama* reported that Panama would sever diplomatic relations with the United States because of controversies over the construction of an American high school on Panama Railroad property in Colon; over the attitude of the United States on the sale of 3.2 per cent beer in the Canal Zone, and over the postal service and commissaries. President Arias repudiated the report immediately. "There is no basis of fact in the story," he said "All questions pending between Panama and the United States have been and are being discussed frankly and openly and in an amicable manner."

CUBAN PRESIDENTIAL CAMPAIGN

The Cuban general election has been set by the Provisional Government for Feb. 24, 1934. Most important, of course, will be the election of the next President; one possible candidate has already appeared. General Mario G. Menocal, President of Cuba from 1912 to 1920, and the principal leader of the

abortive revolution in 1931 against the Machado régime, returned to Cuba on Aug. 20 from his exile in the United States. Six days later his formal re-entry into Cuban politics was announced by a somewhat vague statement that he would "carry the banner of the Conservative party, as well as of all Cuban political factions that are ready to fight for democratic principles." Though General Menocal later disclaimed any intention of running for the Presidency, his statement was generally interpreted as an announcement that he would do so.

A temporary solution of the railroad strike in the Provinces of Camaguey and Oriente, which had been in progress for nearly four weeks, was reached on Aug. 27. The workers and their employers were brought into temporary agreement through efforts of Secretary of Communications Nicasio Silverio. Pending the final adjustment of differences, which was postponed for fifteen days, consideration was to be given to the demand of the workers for the restoration of the wage levels of 1930. Less important strikes continued throughout Cuba. (For a detailed account of the events that led up to the overthrow of the Machado régime, see the article, "The Downfall of Machado," on page 14 of this magazine.)

MARINES LEAVE HAITI

An executive agreement between the United States Government and that of Haiti providing for the Haitianization of the Garde d'Haiti, the withdrawal of United States Marines by Oct. 1, 1934, and for new financial arrangements beginning on that date, was signed at Port au Prince on Aug. 7 by United States Minister Armour and Haitian Foreign Minister Blanchet. As an Executive agreement, which does not require ratification by the legislative branch of the government in either country, it is being substituted for the formal treaty between the United States and Haiti that was unanimously rejected by the Haitian National Assembly on Sept. 21, 1932. The new agreement contains virtually the same provisions as the rejected treaty and may meet strong opposition from the Haitian Senate.

By the terms of the agreement the the contròl of the Haitian National Guard is to be turned over to Haitian officers by Oct. 1, 1934. The President of Haiti, however, may request the President of the United States to leave a detail of not more than seven American officers in Haiti as instructors, should he decide that the Garde is not fully efficient at that time. Under the new financial arrangements, which also become effective on Oct. 1, 1934, the interests of Haitian bondholders will be protected by a fiscal representative and a deputy to be appointed by the President of Haiti, on the nomination of the President of the United States. These officials will assume some of the duties now devolving upon the Financial Adviser-General Receiver and his deputy. They may not employ in their office more than eighteen Americans, as compared with fifty at the present time. The Internal Revenue Service will be turned over exclusively to a Haitian organization, but the customs service —which provides the principal revenues of the country and constitutes the chief security of the bondholders—will be under the authority of the Fiscal Representative.

Secretary of State Hull on Aug. 8 gave credit for the agreement largely to the efficient administration of Haiti's affairs by the government of President Stenio Vincent.

Pan-American Cooperation

By HENRY GRATTAN DOYLE
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ARGENTINA'S adherence on Aug. 30 to the international wheat agreement, after a delay that caused some uneasiness among the countries which had previously signed the pact, focused attention upon the importance of South American participation in world efforts to combat the forces of depression. This importance, brought to the fore by the breakdown of the London Economic Conference, was further emphasized by the announcement on Aug. 25 that Uruguay had formally invited the other American States to the Seventh Pan-American Conference, which is to be held in Montevideo on Dec. 3. Almost simultaneously, conferences began in Washington in anticipation of trade agreements between the United States and a number of South American countries.

President Roosevelt has let it be known that he favors closer relations with South America, not only because of the temporary breakdown of European efforts for cooperation but in accordance with his policy of the "good neighbor" which he announced at the opening of his administration. Improved trade relations would represent a practical application of such a policy. Colombia, Brazil and Argentina were to be the first in a series of trade conferences at Washington, and the discussions with Colombia opened on Aug. 22.

That President Roosevelt realizes the importance of the best possible relations—political, economic and cultural—with the other American States is abundantly clear, not only from his public utterances but also from his actions. His appointments of Ambassadors and Ministers to Latin-American capitals and the splendid work of Mr. Caffery and Mr. Welles in handling the Cuban problem—though this last of course does not directly involve South American relationships except in so far as it makes clear our attitude and adds to good-will toward us—are instances. In fact, it is not too much to look forward to an era of increased friendliness and of greater cooperation, on the basis of dealings between equals, as the result of the administration's record to date. The right kind of participation in the Montevideo meetings is of course a fundamental part in such a program, and there is no reason to expect that the opportunity will be neglected.

CHACO NEGOTIATIONS

On Aug. 26 the League of Nations received a message from the Brazilian Foreign Minister, Afranio de Mello Franco, saying that the ABCP nations—Argentina, Brazil, Chile, Peru—hoped to be able to accept a League mandate to seek peace in the Gran Chaco, where Bolivia and Paraguay have been waging war for well over a year. The nations are "still negotiating," according to the message, and "hope to give a definite reply soon." More than three weeks of reports and counter-reports had intervened since the first word that activities for the settlement of the dispute, after having been shifted from Washington to Ge-

neva, would be transferred from Geneva to the capitals of the South American neighbors of the disputants. Despite the "hope" expressed in the message, Foreign Minister Saavedra Lamas of Argentina in an interview on Aug. 27 expressed pessimism on the outcome. According to a dispatch from Buenos Aires, the Minister declared that "this effort to establish peace in the Chaco is positively the last in which Argentina will participate," adding that Argentina's previous mediation had been "a bitter experience."

The difficulties facing the ABCP nations are not new, arising as they do from Bolivia's attitude that definition of the arbitral zone and suspension of hostilities must be simultaneous, and Paraguay's contention that an armistice must precede arbitration negotiations. These points of view, in one form or another, have been adhered to throughout all peace efforts, whether in Washington, Geneva or Buenos Aires. A "new formula," reported from Santiago on Aug. 23, would "call upon Bolivia and Paraguay to cease hostilities simultaneously with the initiation of arbitration negotiations," while a slightly different "new formula" reported from Buenos Aires on Aug. 24 "consists of two points. The first calls for immediate cessation of hostilities; the second for double arbitration—that is, an arbitrator is to determine the zone subject to arbitration, then hear the Bolivian and Paraguayan claims and decide to whom the zone belongs." A dispatch from La Paz on Aug. 25 stated that "Bolivia has accepted the proposal of Argentina, Brazil, Chile and Peru for a simultaneous agreement on an armistice and arbitration in the Chaco war, pending Paraguay's acceptance of the formula." On the following day a dispatch from La Paz reported that Bolivia had been notified by the Brazilian Foreign Minister of the ABCP plan, which "called for the acceptance by the belligerents of three points: submission of their differences to arbitration by the ABCP nations; the ending of hostilities; and agreement to accept the fairness of the mediators. The note explains that after this plan had been accepted the two disputants could choose any South American capital for conferences, to be held as soon as possible under the auspices of the ABCP group."

It is obvious, of course, that these several dispatches do not refer to the same thing. Their failure to agree in details is characteristic of the whole course of the ABCP negotiations. In an editorial published on Aug. 22, *La Prensa* of Buenos Aires took to task the "secrecy and ambiguity" with which the four nations had handled the negotiations, and said: "It is ingenuous to believe that within the short time before it is necessary to reply concretely to the League it would be possible to obtain an agreement from Paraguay and Bolivia as to the manner in which arbitration should be begun. The ABCP nations should first have agreed among themselves without consulting the belligerents, should have laid down the essential prerequisite of suspension of hostilities, and should have replied to the League to this effect without twenty days' parley trailing off into nowhere."

Air fighting in the Chaco was reported about the middle of August, followed by bloody fighting along a wide front during the last week of the month, in which Bolivian infantry attacks were supported by tanks, the action being hottest in the Gondra sector, where the Bolivians claimed the capture of Fort Pirijayo on Aug. 26. Paraguayan communiqués claimed

that the Paraguayan lines were holding fast.

On Aug. 22 Bolivia formally protested to the League of Nations against the immigration to the Chaco of 200 Mennonites now in Harbin, Manchuria, without Bolivia's consent, on the ground that their admission on "Nansen passports" would acknowledge Paraguayan claims to the Chaco.

UNCERTAINTY IN ECUADOR

Ecuador, which underwent serious political disturbances in 1932, including a bloody revolt in Quito, entered the present year with a constitutionally elected President, Juan de Dios Martínez Mera, who was inaugurated on Dec. 5, 1932, for a four-year term after winning the election by a small majority. His administration has apparently been hampered by personal rivalries among his Liberal supporters, by opposition from their traditional opponents, the Conservatives—who were violently ejected from power last year, by subversive activities of "Red" agitators and by the political ambitions of a few army and navy officers who are more interested in playing personal politics than in serving their country. Basically, dissatisfaction with the régime may be traced to the economic situation, which has failed to improve since the President took office. The same criticism, it will be recalled, was made of former President Isidro Ayora, who, after vainly endeavoring to resign, was finally forced out of office by a military junta, "having been found guilty, by army opinion, of the world depression."

Reports that the President would be asked to resign when Congress met on Aug. 10, the Independence Day of Ecuador, were circulated in July. This proved to be the case, but the President weathered the first storm. The Senate elected a presiding officer favorable to the President, and the motion demanding the President's resignation was tabled.

In a message to Congress, President Martínez Mera recommended repeal of the Exchange Control Law and abandonment of the dollar as the standard of exchange for the sucre. The message stated that expenditures had been kept within the budget and that twenty-four new schools had been opened without decreasing teachers' salaries. The exchange control plan, under which proceeds of exports were retained by the Banco Central, while foreign exchange to pay for imports was allotted at a fixed rate of exchange, has resulted in effect in a forced loan imposed upon foreign creditors. Because the plan has worked hardship upon exporters in the coast provinces and because of the depreciation of the dollar, the President declared the plan unworkable.

The recommendation of the President appeared to meet with popular approval, but not enough to prevent the prophesied clash with Congress, which on Aug. 15, by a vote of 42 to 22, demanded the President's resignation. This he refused, on the ground that Congress had no authority to demand it. Congress thereupon passed a vote of lack of confidence in the Cabinet, the effect of which was to paralyze the administration, since under Ecuadorean law a Minister under censure by Congress can perform no official acts, and the Controller General will not approve authorizations for expenditures of funds made by a Cabinet officer under such censure. Congress likewise adopted a resolution guaranteeing to Socialists and Communists the right to disseminate their doctrines. The President's reply was the appointment on Aug. 19 of an en-

tirely new Cabinet, followed by imposition of press censorship.

No further details were available at the time of writing, but it was evident that, in the words of an editorial in *El Comercio* of Guayaquil, the situation was "destructive of all forms of organized living." *El Telégrafo* of the same city, attributed the situation to "Byzantine" struggles among the Liberals; to a government "believed to be unpopular, and because of believing itself to be so, weak"; to a radical element which does not realize that it lacks sufficient support for its program, and who, if they attempted to govern socialistically, "would launch the country into an inharmonious situation, like Grove created in Chile"; and to a "demoralized army which has lost its compass, thinks of political possibilities, and awaits the illusory advent of a Messiah." Among possible army Messiahs mentioned are Colonel Luis Larrea Alba, a soldier-politician whose previous efforts to attain power have several times been frustrated; Major Ildefonso Mendoza, former Presidential candidate and leader of the prestige-destroying naval revolt on the Guayas River; and Colonel Ricardo Astudillo, who quelled the Mendoza revolt. A report on Aug. 26 stated that President Martinez Mera had ordered the arrest of half a dozen army officers, including Colonel Luis Larrea Alba.

The tragedy of the situation is, of course, the fact that it threatens parliamentary and constitutional government. With Congress at loggerheads with the President, the government can function only by a complete victory of one side or the other. Elimination of the President stultifies the results of last year's widely heralded election. On the other hand, establishment of a dictatorship by the President would be regarded as another instance of the failure of political democracy in South America.

FASCISM IN CHILE

Reference has been made in these pages to the organization in Chile of the "Milicia Republicana," an armed civilian law-enforcement organization, or "White Guard" of some 50,000 members. This has now been supplemented by another organization of somewhat similar aims, likewise borrowed from Europe—the "Nazis" or National Socialists, led by Jorge González and Fernando Ortuzar Vial. First formed by admirers of Hitlerism, the group has lately reorganized because of the Chilean reaction against some of Hitler's policies, and has now announced that it is closer in ideals to Italian fascism. The name "Nazis" apparently will be retained. Friendly relations are maintained with the Milicia Republicana and the two groups have many members in common, though efforts to consolidate them have met with the opposition of Nazi leaders who hold that the aims of the two groups are different. Apparently both support constitutionalism and oppose communism.

Their rise is, of course, largely the result of the Grove-Dávila revolt and the ill-fated "Socialist Republic" which followed. That they may be useful to the Alessandri Government seems evident from the activities of Colonel Marmaduke Grove and other radical agitators. Colonel Grove was arrested on Aug. 10, charged with "subversive activities," and sent into exile in a small town in the south of Chile. He had been making a speaking tour of the country, attacking the government and, according to *El Diario Ilustrado* of Santiago, inciting to violence. The attitude of the press toward him is well stated in the words

of *El Diario* of La Serena, which declared that "Colonel Grove ought to be eternally silent, because the nation on one occasian had the opportunity to know him for what he is."

An effort by Leftist leaders to of the emergency laws against radical agitators, on the ground that they were in political, not revolutionary, opposition to the government, met with a rebuff. In the meantime one of the recurrent South American student strikes seemed to be imminent at the National University in Santiago, where extremist students demanded a greater share in the management of the university. The government in an official statement on Aug. 21 announced that it would "maintain strict order and adopt repressive measures" if a strike was declared by the students.

BRAZILIAN POLITICS

On Aug. 19 President Getulio Vargas signed a decree convening the Constituent Assembly on Nov. 5, the forty-fourth anniversary of the establishment of the Brazilian Republic. Members of the Assembly -- 214 in number — were elected on May ' last and an additional 46 were chosen by workingmen's syndicates, employers' associations and civic societies.

The wounds left by the unsuccessful military revolt of the State of Sao Paulo seem to be in a fair way to being healed by the appointment by President Vargas on Aug. 16 of a new "interventor" for that State. The new Federal interventor, Armando Salles Oliveira, director and part owner of the leading newspaper of Sao Paulo, *Estado de Sao Paulo*, took office on Aug. 21 amid general public approval. He is the first interventor since 1930 to enjoy popular support among the Paulistas. His advent was preceded by abolition of the press censorship, and one of his first acts was the appointment of a commission to investigate the luckless Sao Paulo Coffee Institute. The former Federal interventor, Waldomiro Lima, and Murray Simonson & Co., representatives in Brazil of the banking house of Lazard Brothers of London, have brought charges against each other involving certain transactions connected with the operations of the institute and the purchase of Sao Paulo bonds.

A definite forward step in the direction of stronger Federal unity was taken in Brazil when on Aug. 20 it was announced that the Federal and State governments had reached an agreement limiting the military powers of the Brazilian States. Under the limitation agreements, State forces will no longer have independent aviation, artillery or tank detachments, while State infantry regiments will be converted into separate battalions of scout infantry and cavalry regiments limited to four squadrons. It is expected that the new republican constitution to be drafted by the Constituent Assembly will make these or similar limitations permanent.

PERUVIAN TRANQUILLITY

The "government of peace and concord," pledged by General Oscar R. Benavides when he assumed the Presidency of Peru after the assassination of President Sánchez Cerro on April 30, has transformed that country politically. In contrast with the turmoil that characterized the administration of his predecessor, unprecedented domestic harmony now prevails, and the dispute with Colombia over Leticia is in process of adjustment. "Confidence and faith," in the words of an editorial in *El Callao* of the city of that name, best describe present conditions. "All know that under the pro-

tection of the government that the country now has," says the editorial, "all activities will be able to develop in peace, without normal progress of the country suffering any obstacles caused by acts of the government. Above all and before all else, is the promise and certain hope that better days are coming for Peru under the aegis of a government whose actions are based upon a high sense of national propriety and the most austere political and administrative honesty, and which has the firm purpose of promoting and assuring an effective and productive national harmony."

That these are not the empty words of a journalistic admirer is established by the record of the administration. On Aug. 9 Congress passed unanimously an amnesty bill proposed by the administration, under the provisions of which Victor Raúl Haya de la Torre, leader of the "APRA," was released from prison and exiled Peruvian political leaders were permitted to return. In a statement issued on his release, Haya de la Torre, the *bête noir* of the previous administration, promised "cooperation with the work of the government," forbade party demonstrations and declared that he desired complete tranquillity.

On Aug. 12, Juan Leguía, son of the former dictator, Augusto B. Leguía, was released from prison after a decision by the Supreme Court that he was not responsible in charges of defrauding the government brought against him after his father's overthrow by Sánchez Cerro in August, 1930. Leguía left by airplane for Santiago, Chile, where he was expected to join his two brothers. His release after thirty-five months' imprisonment writes finis to the Leguía chapter in Peruvian history.

These two actions gave force to the words of President Benavides in a manifesto issued on Aug. 11 and addressed "to my fellow-countrymen," in which he urged all Peruvians to cooperate in his policy of "forgetting old animosities." At the same time, the President declared that he was "determined to carry out his program of public order and general welfare, and would use all lawful means in dealing with those who refuse to cooperate." As a step in this program, the President on Aug. 25 sent to Congress a bill under which the elections scheduled for next November would be postponed until the first Sunday in June, 1934, in order to give more time for the "political pacification" of the country. A far-reaching program of social legislation governing conditions of labor and providing for industrial accident compensation, minimum wage legislation and old age and health insurance, was reported to be under consideration by the President and leaders of Congress.

Peru seems to have accepted the temporary adjustment of the Leticia incident with Colombia and to be waiting patiently for a final settlement. The flag of the League of Nations Leticia Commission flies over the area. On Aug. 21 the Brazilian Foreign Office announced that the Leticia conference would probably be held on Oct. 1 at Rio de Janeiro. Reports that a flying visit to Bogotá by Colonel Brown, American chairman of the commission, was caused by misunderstanding among the Commissioners, were denied by the Colombian Foreign Office on Aug. 12.

The Irish Political Struggle

By J. Bartlet Breebner
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President de Valera of the Irish Free State was subjected during August to the most adroit attack which he has faced since coming into power. General Eoin O'Duffy, after remarkable success in recruiting and organizing the Irish National Guard (Blue Shirts), forced de Valera publicly to clarify his attitude toward the Irish Republican Army. Moreover, de Valera was obliged to invoke again the hated Cosgrave Public Safety Act; at the same time the three opposition groups Cumann na nGaedheal, the Centre party and the National Guard—have been manoeuvred into political cooperation, with O'Duffy probably playing a more important rôle than Cosgrave. De Valera has justified his policy on the grounds that O'Duffy has dictatorial, Fascist ambitions which threaten Irish democracy.

The struggle began at the end of July when the government withdrew permits for holding arms. O'Duffy claimed that the procedure was discriminatory, since members of the guard had obeyed the law and obtained permits, while the Irish Republican Army had never condescended to do so and yet had not been molested. The government tried to avert discussion in the Dail on Aug. 1, but de Valera was finally goaded into admitting that he intended to disarm the guard.

The next round centred on the proposed guard parade in uniform on Aug. 12 to honor the graves of Collins, Griffith and O'Higgins. While O'Duffy publicly disclaimed any dictatorial aims, the government professed to fear a *coup d'état* and added 300 police to the guards of public buildings. After further manoeuvring, the government banned the parade at 12:50 A. M. on the 12th and invoked the Public Safety Act, thus in effect establishing martial law. O'Duffy bowed to the law and substituted regional church parades, which were held on Sunday, Aug. 20. No tributes were left at the graves of the three political martyrs.

In spite of what seemed a disclaimer by O'Duffy, about 100 Blue Shirt meetings were held all over Ireland on Aug. 20. De Valera responded by declaring the National Guard an illegal organization and setting up a military tribunal to carry out the Public Safety Act. Again O'Duffy yielded, avoiding general suppression by announcing the formation of a new association. This would be wholly political and therefore presumably legal, although its membership, of course, would be drawn from the National Guard and its affiliate, the National Associates. A good deal of dramatic rushing about to secret meetings followed. Neither de Valera nor O'Duffy wanted an appeal to the electorate, though O'Duffy apparently possessed greater popularity and prestige as leader of the Opposition than Cosgrave ever enjoyed.

On the whole de Valera moved slowly and cautiously, but he was being driven into admission of the special

position of the Irish Republican Army and perhaps to dependence on it, a situation which he would not relish because of the army's extremism. He continued to carry out his legal measures, under the powers conferred by the Statute of Westminster, for political severance from Great Britain. On Aug. 3 it was learned that three members of the South African delegation to the World Economic Conference had gone to Dublin in an effort to end the Anglo-Irish tariff war. They failed, it was reported, because de Valera refused to accept Tielmann Roos as chairman of an arbitral board, insisting on some one outside the British Empire.

THE POSITION OF THE POUND

Although Great Britain is off the gold standard, it has proved to be highly convenient to maintain a stable relation between sterling and gold, and for months the Exchange Equalization Fund has "pegged" the pound at 85 gold francs. During July and August it became increasingly difficult to maintain that rate, despite the transfer of what was estimated at $145,000,000 of British gold from New York to France. In addition, about Aug. 15 the Bank of England began to lose gold. At the end of August sterling broke below 82 francs to the pound and there were reports that the equalization fund was in difficulties.

Speculation, which has undoubtedly played a large part in the decline, was based upon the expectation of competitive currency depreciation between Great Britain and the United States. The extreme fluctuations of the American dollar during August, the temptation to manipulate it in order to maintain the domestic economic revival and the fear of the effect of a depreciated dollar on reviving British trade, contributed to the building up of a substantial body of opinion in the United Kingdom which favored cutting the pound free from gold and letting it decline. Since the Bank of England group opposed this, great interest was attached to the meeting on Aug. 20 of Montagu Norman, Governor of the Bank, and President Roosevelt. Meanwhile foreign short-term deposits in London were being withdrawn.

British foreign trade continued to improve slightly during July and domestic activity resisted the usual seasonal decline. Exports were £34,160,000 (£32,599,000 in July, 1932), imports were £53,700,000 (£51,921,000 in 1932), and the trade deficit £19,540,000 (£19,322,000 in 1932). The usual August holidays in the textile trade, by adding to those temporarily without work, increased the official number of unemployed at the end of July by 4,607, but the actual position was indicated better by an increase of 8,000 in the number of employed. A strike among the Welsh anthracite miners kept about 17,000 men out of the mines from Aug. 14 to 21.

The report of the Departmental Housing Committee headed by Lord Moyne was published on Aug. 2. Its recommendations aimed to speed up the elimination of slum housing. In the past it has been necessary to wait for the termination of the characteristic British long-term leases, but the substitute suggested was prompt expropriation—with compensation at the last valuation by a public authority—of all working-class housing that has not been kept habitable. Under the ultimate authority of the Minister of Health, local public utility societies and a national council would determine the standards. Acceptance of these recommendations would enable the National Government to answer many criticisms of the slow progress it has made in slum clearance.

British agriculture has recently shown the results of the new protective policies. For the first time since 1924 the number employed on the land has increased. The acreage sown to wheat and sugar beets has been enlarged and there are more cattle. Low prices have been a serious handicap, however. Major Walter Elliott, Secretay of Agriculture, announced that during the last quarter of the year importations of frozen beef would be reduced by 25 per cent and of Argentinian chilled beef by 15 per cent. A spectacular demonstration of the farmers' difficulties was presented by embittered protests against payment of the tithe. This consolidation of ancient ecclesiastical rights, today determined by Parliament in relation to the average price of grain, amounts to a sort of mortgage on land. When owners of tithe tried recently to seize chattels for defaults in payment, English farmers formed leagues to defeat them in much the same way as American farmers met similar onslaughts from their mortgagees.

The British Treasury seems to be in an enviable position; late in August revenue for the fiscal year was £4,500,000 above last year, while expenditures were £3,500,000 less.

The termination on Sept. 30 of the Empire Marketing Board, following the recommendations of the Skelton Report, evoked a good deal of indignation in England during August, and J. H. Thomas needed all his ingenuity to parry attacks in Parliament on Canada and the other Dominions. In general, British opinion favored its continuance, but the government did not alter its decision.

CANADIAN REVIVAL

The economic revival which has been in progress in Canada since May has continued with some spectacular surges upward, a few contradictory tendencies, but no signs of any general relapse. Naturally enough, there have been many repercussions from American experimentation, as well as suggestions for imitation of it. No coordinating leader or scheme showed signs of emerging, however, and there was a general tendency to wait and see what would come of the increased demand and higher prices for Canadian exports. Premier Bennett's absence in London as chairman of the World Wheat Conference also discouraged positive planning.

The tour of the royal commission on banking and monetary matters gave rise to suggestions for a Canadian-planned economy. After preliminary hearings in Ottawa, the commission proceeded directly to Victoria, B. C., and then returned across the Dominion to Halifax. The West provided its members and the public with some vigorous criticisms of Canadian banking practice, as was to be expected, but the country as a whole responded chiefly to suggestions for a central bank. This circumstance, combined with the solidly English and Canadian membership of the commission and the recent financial *rapprochement* between London and Ottawa, led some observers to believe that a Canadian central bank may have been the consideration which induced the British Treasury to lift its ban on new foreign loans and approve the £15,000,000 loan to Canada at the beginning of August.

Canadian field crops for 1933 are likely to be nearly the poorest on record. The wheat crop, for instance, has been esimated at 52 per cent of normal and the shortage in other crops extended throughout the Dominion. It proved necessary to peg wheat prices in Winnipeg during the worst of the collapse in Chicago, but after

the general North American break in prices those for Canadian near futures moved narrowly between 70 and 75 cents. Losses from short crops and gains from higher prices seemed likely to strike a rough balance, the only gainers being those who held 1932 wheat until the 1933 rise in prices. No very obvious advantages emerged for Canada from the agreement reached at the World Wheat Conference (See pages 76-77), and many Canadians believed that a 15 per cent reduction in acreage for 1934 was unfair.

Canadian foreign trade showed great improvement during July as compared with 1932. Exports were $51,345,000 ($42,318,000) and imports $35,738,000 ($35,711,000). An expanding British market and a greatly accelerated American demand for Canadian raw materials were combined with a general rise in prices. For the four months ended July 31, exports to the United States equaled those of 1932, were 30 per cent greater to empire countries and 35 per cent greater to the United Kingdom. One particularly welcome feature was that, despite low prices, exports of wood products to the United States were $13,000,000 in July, 1933—$3,000,000 more than in 1932.

By a Treasury Department ruling on Aug. 12, the United States permitted the export of gold except in bullion. A week later the Canadian Department of Finance decided to accept gold sent to Canada for refining; so that it was expected that about $40,000,000 in concentrates from American mines would come to Canada annually. There was a tentative atmosphere about the whole transaction which was brought to a close by a new American ruling on Aug. 29, which secured the world price to American gold producers.

An election in the Province of Nov Scotia on Aug. 22 resulted in the de feat of the Conservative Governmen and return of the Liberals with a ma jority of 22 to 8. As there was no rea issue, the large turnover in the vot was attributed to economic disconten and to inept Conservative politica strategy.

AUSTRALIAN AFFAIRS

During the season 1932-33 Austra lia met her decline in income by pro ducing and selling 3,044,000 bales o wool; the previous five-year averag was 2,600,000 bales. The most recen price has been about 50 per cent bet ter than in 1932, so that it was hope that the drain of four years, durin which cash production costs have ex ceeded returns, might be overcome There were indications, also, that th burden of taxation on the wool grow ers might be lightened.

At a time when Australian tariff have been under fire in London, mor importance than usual was attache to the possibility of a political allianc between Australian urban and rura low-tariff groups. This would add t the strength of the Country party i its differences with the United Aus tralia party, which now forms th government. With Australian finar cial rehabilitation nearly complete the new move might induce the gov ernment to accelerate its own proces of tariff reduction.

It was reported in mid-August tha the Commonwealth and Victoria Gov ernments had at last reached agre ment as to their respective shares c the £400,000 needed to liquidate th disastrous failure of the 1923 emigra tion scheme from Great Britain t Victoria. Only 350 families—instea of the planned 2,000 a year—were a fected, but the protracted evasion c responsibility for a particularly u

pleasant case of misrepresentation had to be ended.

The preliminary report of the 1933 census showed a population of 6,619,-059, an increase of 21.77 per cent since 1921, as compared with an increase of 22.01 per cent between 1911 and 1921.

SOUTH AFRICAN POLITICS

The success of the South African coalition has had interesting results on old party lines. The South African party (Smuts) is organized nationally and favors fusion, whereas the Nationalist party (Herzog) consists of four provincial sections. Of these the Transvaal and Orange Free State support fusion; in Natal the British section may now form a separate party; and in the Cape, Dr. Malan heads an important opposition to Herzog. Anglo-Dutch fraternization has become remarkably comprehensive and the leaders have transferred their efforts to reducing the economic tension between rural and urban groups.

THE PROBLEM OF GANDHI

Following Gandhi's arrest on Aug. 1, while preparing to go on a pilgrimage of individual civil disobedience, he was taken to Poona and released with an order restricting his movements. He disobeyed the order, was rearrested and sentenced to a year's imprisonment as an ordinary prisoner without the special privileges which have usually been accorded to him. He at once demanded facilities for conducting his campaign against Untouchability from prison and threatened a fast to death if they were refused. The government yielded on Aug. 16, but Gandhi changed his mind and decided to fast anyway. The government offered to release him if he would devote himself exclusively to social reform, but the offer was refused. On Aug. 20 he was so weak that he had to be sent to a hospital, and three days later was released unconditionally. Gandhi told correspondents on Aug. 25 that he preferred peace to jail and fasting, although he was undecided what to do.

Mr. Auey, acting president of the Congress party, appeared to side with Gandhi against his now outspoken critics within the party. However, the absence in India of any widespread demonstrations of sympathy with Gandhi made a confusing picture. Apparently the Congress party has yet to find its new line, while Gandhi's behavior has cost him his dictatorship of the party. Some observers believed that the old Congress party had broken up.

The Parliamentary Joint Committee on the New Indian Constitution recessed for two months on Aug. 3 after unexpectedly prolonged sessions. Sir Samuel Hoare, Secretary of State for India, gave evidence for forty hours and answered 2,000 questions, a performance which won some hearty tributes from the Indian delegates. The committee to draw up a scheme for the central bank, which is a prerequisite for Indian federation, reported on Aug. 15 a plan for a central non-commercial counterpart of the Bank of England in which political influence would be excluded. Rapid passage of the necessary act by the Indian Legislative Assembly seemed to be assured.

Interference by the British Indian Army in the annual intertribal wars and attacks on Afghanistan in the North West Frontier Province took the usual form of a punitive column, aerial warnings and the bombing of empty villages. So far as was known, there were no casualties and the tribes which had sought protection secured it. An attempt to secure the surrender of the chief political agitators was unsuccessful.

French Domestic Problems

By GILBERT CHINARD
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WITH Parliament, the World Economic Conference and the League of Nations adjourned, the French political scene was comparatively quiet during August. Speechmaking by party leaders never ceases, of course, but in the main France has been taking stock of her situation and girding her loins for the battles that loom ahead over the budget and constitutional reforms.

During the festivities held at Orange to commemorate William the Silent, Premier Daladier reaffirmed the determination of his government to prevent inflation and to maintain the franc at its present level. On this point public opinion seems unanimous. On other questions, except the war debt to the United States, there are strong disagreements, especially in regard to the present Constitution, which has been under fire from all French political groups. In his bi-monthly articles in *L'Illustration,* André Tardieu has continued to attack the present government and the constitutional régime. His constructive proposals, which in a general way follow the British system, would give more power and responsibility to the President of the republic and would permit him to dissolve the Chamber at the request of the Premier. The President would also be empowered to introduce new laws into Parliament.

Joseph Caillaux has also been campaigning actively for reform. At Marseilles, on July 20, he painted the situation in very dark colors and asked that the government be given more authority to protect the budget, not only against the avidity of government employes but against the systematic attacks of the "interests" as well.

Meanwhile the Conseil Supérieur des Economies was paring the government expenses in order to reduce to a minimum the next budget, which will come up for discussion in October, when the Chamber reconvenes. In the Conseil's weekly statements, however, no radical cuts have been recommended, the economies thus far being confined to reductions in the expense accounts of officials.

The fate of the Daladier Cabinet during the next session will depend largely on the attitude of the Socialist Deputies and this explains the importance attached by the press to the discussions between Léon Blum, nominal head of the Socialist group, and the dissidents represented by Deputies Déat, Montagnon and Marquet. Accused by M. Blum of leaning toward "national socialism" or fascism, the Right Wing of the Socialist representatives, at a meeting on July 19 decided that, contrary to the instructions of the party, it was impossible to refuse in advance to vote the budget for 1934, and pointed out that the laboring and agricultural classes would feel even more painfully than the capitalists the lack of budgetary equilibrium. Forty-two Deputies and Senators attended the meeting.

The attitude of the public school

teachers who met in Paris at the beginning of August to discuss their professional interests indicates the difficulties facing the government. The National Syndicate of School Teachers, which includes more than 78,000 active members, protested against any cut in salaries or pensions and decided to order a general strike of half an hour in all the public schools of the country to express disapproval of the economy measures contemplated by the government. No less important was their decision to fight against war and the war spirit on all occasions and to refuse endorsement of the societies for military preparation. Many pacifistic speeches were made and the Internationale was sung at the close of the meeting.

Of all the new laws voted in June, that fixing the price of wheat at 115 francs a quintal [a quintal of wheat equals 3.6 bushels] seems to be the most difficult to apply. The stock of wheat at the mills is ample and since the wheat growers are unable to sell their grain at the legal price and are in need of money at this time of the year, they are making every effort to surmount the law. According to M. George Lebecq of the Paris Municipal Council, more than 140,000 quintals of wheat were sold for export during the last few weeks. At London, Rotterdam and Geneva these shipments brought only 45 francs a quintal. In these instances the exporters received from the government a premium of 85 francs.

At the present time, however, the financial situation of the government shows a slight improvement. Part of the new loan authorized by Parliament was floated during the first week of August; 2,000,000,000 francs of bonds at 4.5 per cent were offered, and more than 3,000,000,000 francs were subscribed. All government bonds reacted favorably, the 3 per cents remaining for several weeks around 67. On the other hand, complete figures for the first half of the year indicate that tax returns were only 16,472-686,900 francs, or 765,000,000 francs less than the budgetary estimates. The sales tax was 158,000,000 francs lower than expected, real estate transfers 217,000,000 and customs duties 211,000,000. Income taxes are being paid slowly. For the year 1932, bills sent by the income tax collectors amounted to 7,916,405,900 francs, of which 6,305,737,000 francs had been paid by midsummer. Only a fraction of the bills for 1933 have been sent out, but of 4,370,781,000 francs due, only 429,605,000 had been received.

For the first six months of 1933, imports were 15,105,798,000 francs, a decrease of 130,132,000 francs from the same period last year. Exports amounted to 8,976,626,000 francs—a decline of 1,103,577 francs.

Another disturbing sign is the decrease of postal, telegraph and telephone receipts which, despite higher postage rates, are 46,000,000 francs less than last year. Railroad receipts for July were slightly higher than the figures for June, but total receipts up to July 15 were 379,994,000 francs less than for the corresponding period of last year.

The unemployment situation is far more satisfactory. On July 29, the total number of registered unemployed receiving assistance was 239,692, of whom 182,979 were men and 56,713 women; on the same date last year 265,140 were registered. About 50 per cent of the unemployed live in Paris and in the provinces unemployment is hardly apparent.

Some new, although limited, resources will be provided by the National Lottery, which was approved by Parliament in June. The first draw-

ing will take place on Nov. 30; 2,002,436 tickets at 100 francs a ticket will be sold and prizes will amount to 120,000,000 francs. The lottery was started as an experiment, but it appears that the number of tickets printed will not be sufficient.

Early in August an unimportant strike arose in Strasbourg over a salary dispute. The municipal employes of the city, however, walked out in sympathy for the strikers, with the result that for several days the street car system and the street cleaning department were completely disorganized. A strike of the Alsace-Lorraine Railroad was threatened for a time and the government felt it necessary to intervene. After the Minister of Labor, M. François Albert, had offered his mediation, disorders ceased. An effort to extend the strike to the city of Mulhouse failed completely.

Incidents in the Saar region in July added to the nervousness of the population. It was rumored that a French flag placed on a French factory at Evelsberg had been torn and burnt in public. The owners of the factory, however, stated that the flag had simply disappeared during the night of July 14. On July 22 two inhabitants of the Saar were arrested by a German customs officer who is said to have represented himself as a police officer. They have been detained in Germany, in spite of the protest of the Saar Commission.

In its recent report to the League of Nations, the Saar Commission indicated that National Socialist associations had been dissolved and that the formation of syndicates or unions affiliated with organizations outside of the territory had been prohibited in order to curb Nazi propaganda in the region. *Der Vorposten*, a new National Socialist paper printed by the *Saarbrücker Zeitung* for young men, has been suppressed, but propaganda by radio is being continued in the face of the commission's protests.

Herr von Papen is reported to have declared in a recent interview that the Saar plebiscite set for 1935 by the Versailles treaty should not take place, and that an arrangement should be made by which the region would be restored to the Reich before that date.

BELGIAN AFFAIRS

The Belgian Parliament convened on July 19 to discuss the decrees promulgated by the Brocqueville Cabinet since last May. The session was dull and on July 23 the government received a somewhat perfunctory vote of confidence. No appropriations were voted and Parliament did little more than approve revenue measures for the next four months. On Aug. 5 the Senate adjourned *sine die;* the Chamber will reassemble on Oct. 17. At that time the complete budgets for both 1933 and 1934 will be debated. Meanwhile, it is expected that the government will have a free hand in furthering its plans for financial rehabilitation.

According to press reports, the Belgian and Soviet Governments will soon begin negotiations to allow Soviet shipping the same privileges in Belgian ports that it now enjoys at Hamburg. The government has decided to establish a special Compensation Board to enable Belgium to receive the 220,000,000 francs which Germany in 1929 promised to transfer annually. Belgian industrialists and importers will pay the sums they owe to their German creditors into this special fund. However, a last effort will be made to persuade the German Government to pay in specie as it has done in the past.

Germany's War on Unemployment

By Sidney B. Fay
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Much publicity was given in Germany during August to the nation's apparently successful struggle against unemployment. According to the Reich Institute for Labor Placement and Unemployment Insurance, the number of registered unemployed decreased more than 130,000 during the first half of August, bringing the total on Aug. 15 down to 4,334,158, about 1,000,000 less than on the corresponding date in 1932 and 1,667,000 fewer than were on the books at the beginning of the Hitler régime on Jan. 30. The figures for illness insurance present an even more favorable picture, since, according to these, the number of persons actually employed and paying the compulsory insurance premiums has risen about 2,140,000 since last January.

Part of this reduction of unemployment has been secured by methods which are of doubtful wisdom or which resemble those being tried in the United States. Industry has been forced to put more men to work than it has actually needed. The Ruhr mining industry, for instance, was reported to be employing 30,000 more men than production would normally justify. Additional men have been put to work through the adoption of a forty-hour week. Workers between the ages of 16 and 25 have either been removed from the unemployment register or from their jobs and sent to the "voluntary labor service camps." Those who refused to go were deprived of any unemployment doles; those who went were registered as employed. Women workers and Jewish employes have been dismissed in increasing numbers and their places given to "German men." For example, in Hamburg 181 women teachers were dismissed. But none dismissed is registered as unemployed. Many thousands of Jews, Marxists, pacifists and miscellaneous anti-Hitlerites, who no longer dare to seek unemployment support, have been removed from the unemployment list. "Black labor"—work by those drawing unemployment support or by those already having jobs—has been prohibited, so as to give employment to some of the jobless.

Among the more productive forms of reducing unemployment has been the policy of placing large numbers of workers on farms throughout the country, where they may be used during the harvest, which promises this year to be abundant. The government has paid a large part of their wages, while the farmers have supplied food and lodging.

Erich Koch, Governor of East Prussia, has been most successful in reducing unemployment in his district to a minimum. This "miracle of East Prussia" has been accomplished by large reclamation works, by building projects, by giving people work on the farms and by the zealous cooperation of banks, municipalities and landowners. Even the Junkers, after wrecking the plans of Bruening, von Papen and von Schleicher for creating

small farms in East Prussia, have at last yielded to National Socialist pressure. On Aug. 24 they voted to offer to divide their big estates, in part at least, to provide land for the establishment of peasant homesteads. In their resolution the Junkers declared that "just as in the old tradition and fulfillment of their duty they served their kings with their blood and their property, so today they place themselves behind the rescue work of Chancellor Adolf Hitler." The fact that their surrender may be an attempt to keep the division of their estates in their own hands, instead of losing all control, does not obscure the economic importance of the step. Following their example, the Pomeranian Junkers, in order to avoid a larger partition of their estates, agreed to place 20 per cent of their holdings at the government's disposal.

One of Chancellor Hitler's much-heralded plans for meeting the unemployment problem was the establishment of a vast system of "compulsory labor service" for all young men. On Aug. 24, however, Franz Seldte, German Minister of Labor, informed the press: "It cannot now be determined whether compulsory labor service will be introduced into Germany or when it will be introduced." This was understood by the press as a way of informing the public that the whole plan had been discarded. It had been believed at Geneva that a chief part of the compulsory labor service would consist in "defense sport," consisting of every form of military exercise, from throwing hand-grenades to digging trenches and excepting only public practice with rifles. The spectre of hundreds of thousands of Germans being trained in labor camps in many essentials of military efficiency caused the Disarmament Conference to vote, despite German protest, that persons enrolled in compulsory labor camps would have to be reckoned in counting the number of effectives permitted to a country. Minister Seldte's announcement does not, of course, apply to the voluntary labor service which is giving employment with small wages to something like 250,000 young men.

THE STERILIZATION LAW

A new "law for the prevention of inherited disease in posterity," which will go into effect on Jan. 1, 1934, offers evidence of the present intense interest in racial questions in Germany. This law provides that persons suffering from hereditary disease may by surgical operation be rendered sterile if the experience of medical science shows it to be probable that their offspring would suffer from serious bodily or mental defects. It applies to cases of congenital feeble-mindedness, insanity, epilepsy, St. Vitus's dance, hereditary blindness and deafness, serious hereditary bodily malformations and also chronic alcoholism.

The person to be sterilized may propose himself, or may be proposed, if he has been declared incapable of managing his affairs on account of mental deficiency, by his guardian or legal representative whose application meets the approval of the trustees in lunacy. The sterilization of an individual may also be proposed by medical officers of health in the case of inmates in hospitals, insane asylums and sanatoriums, or by the governors of penal establishments. The inclusion of the last category has led to some criticism outside of Germany because of the fear that political considerations might enter into the administration of the law.

All proposals for sterilization are to come before a court of eugenics

composed of a magistrate, a medical officer and a physician whose special province is the study of hereditary disease. Its decision, taken after a secret hearing, is subject to appeal to a high court of eugenics. The surgical operation, if the decision is confirmed, must be carried out, even if against the will of the person to be sterilized. The persons concerned with such operation are bound to silence under penalty of imprisonment or fines.

The official exposition accompanying the law reveals the practical idealism of the National Socialists and also sets forth eugenic arguments which have led many American States as well as Denmark and Switzerland to pass sterilization laws. The law is declared to be an expression of the new German ideal of a sound mind in a sound body. It places the common good above the sentimental humanitarian tendency to coddle the individual who is infirm.

The millions of dollars which are spent annually on the insane, the feeble-minded and the other infirm or anti-social classes are raised by heavy taxation on sound families. The burden of providing for the defective classes is out of all proportion to the unfortunate situation of those who have to support them. It is estimated, for example, that in the Reich, the States and the communes the cost of the insane person is about 4 marks a day, while the unskilled laborer gets 2½ marks, and even the subordinate official only 4 marks. The burden of taxes on desirable families tends to reduce the birth rate among the desirable and sound elements in the population. On the other hand, the defectives, whose existence is cared for and who lack self-restraint, continue to procreate an excessive number of children tainted with their own defects. Healthy families, especially the educated classes, have on an average two children, while the feeble-minded and deficient show an average of three or four children. Thus the hereditary structure of the nation is in danger of being gradually impaired. Sterilization is the only sure preventive. The new law must therefore be regarded "as an act of neighborly love and of provision for coming generations."

The law is not intended to cover all cases of hereditary illness, such as minor forms of mental disturbance or the healthy bearers of inheritable diseases. It aims, in the first place, only at those disease groups in which the laws of heredity make unhealthy offspring probable. It is "a good beginning on the path of provision for coming generations, and, as medical science progresses, the list of inheritable diseases may be extended." In order to avoid giving the impression that sterilization is a punishment for the individual concerned, the sterilization of criminals was deliberately omitted from the law. But the Cabinet "specifically decided that a special law which shall take force simultaneously with it shall authorize the compulsory emasculation [not sterilization but castration] of dangerous sexual criminals."

While the law does not take effect until next year, the government has already begun to take census of all persons coming within its scope. Likewise, no marriage permits will be granted from now on unless both applicants are able to satisfy the prescribed eugenic standards. The *Fränkisches Volksblatt,* formerly the organ of the Roman Catholic Bavarian People's party, was reported on Aug. 7 to have been suspended for a month for criticizing the new sterilization law.

NAZI POLITICAL ACTIVITIES

A great three-day rally of the National Socialist party which began at Nuremberg on Aug. 30 gave an opportunity for a demonstration of the present strength and popularity of the new forces in control of Germany. Employers were encouraged to grant leave of absence with full pay to all employes who desired to attend the party rally. Numerous special trains, autos and airplanes carried hundreds of thousands to the quaint old South German city, which has long been one of the strongholds of the Nazis.

An order of Dr. Bernhard Rust, Prussian Minister of Education, announced on Aug. 9 that all school boys and girls hereafter must greet their teachers in the Prussian schools with the uplifted hand of the Hitler salute: "It is to be expected of every German. Irrespective of whether he is a member of the National Socialist party or not, he must respect this form of greeting as a symbol of the new Germany."

This question of the Hitler salute has given rise to several incidents in connection with foreigners in Germany. For instance, an American surgeon, Dr. Daniel Mulvihill, did not raise his arm in the customary German fashion as he watched a parade of Nazi flags and brown shirts on Unter den Linden. One of the Nazi troopers thereupon stepped out of line and struck him a blow behind the ear. The American Consul General immediately protested to the Foreign Office, with the result that the assailant was arrested within thirty-six hours and Alfred Ernst, division commander of the Berlin Storm Troops, quickly called at the American Embassy to make a formal apology. Rudolph Hesse, Chancellor Hitler's authorized representative in party matters, announced in this connection: "It is customary in all countries that when the national anthem is being sung or when honors are being paid national emblems all foreigners shall rise from their seats and raise their hats, just as the citizens of those countries do. This respect is expected from Germans in foreign countries and is naturally expected from foreigners in Germany. However, it cannot be expected that foreigners who are Germany's guests should give a salute such as the Hitler salute, which is not known to them at home, to which they are consequently unaccustomed and which therefore cannot mean anything to them."

The auxiliary police force in Prussia, consisting of Nazi Storm Troops with a sprinkling of Steel Helmets, was abolished by Premier Goering in an order which became effective on Aug. 15. This force was organized before the Reichstag election in March for the alleged purpose of saving the country from the dangers of a Communist uprising. The influence which it exerted no doubt contributed to the Nazi victory at the polls. The disbandment redeems Chancellor Hitler's pledge in his Reichstag speech of May 17 that the auxiliaries were established merely for a temporary emergency and to replace part of the old police, regarded as unreliable by the new régime. It is possible that the disbandment was also ordered with an eye to making a favorable impression at Geneva when the Disarmament Conference again reassembles, because the conference voted on June 11 that in estimating effectives in establishing ratios for disarmament such auxiliary police should be counted.

THE AUSTRIAN LOAN

After delays of nearly a year and a half the so-called international loan of

$43,000,000 to Austria was arranged on Aug. 10. The prospectus of the British share of this loan indicates that it is repayable in twenty years by a cumulative sinking fund to be applied annually for the purchase of bonds at or below par by drawings at par. The rate of interest is 3 per cent and the London issue was sold at 96. The yield of the loan will enable the Austrian Government to pay its own and the railways' short-term debts. It will also enable the National Bank to transfer service on government debts which has been in arrears since 1931. Incidentally it strengthens the political position of the Dollfuss Government at home and abroad, though in Germany the Austrian Chancellor is regarded as having bartered away his financial and political independence of action for a mess of pottage offered by the former enemy powers.

"It stands me in good stead today that fate decided that Braunau-on-the-Inn should be my birthplace. That little town lies on the frontier between the two German States the reunion of which we younger ones regard as a work worthy of accomplishment by all the means in our power German Austria will have to return to the great German Motherland." Thus wrote Adolf Hitler in the leisure hours of prison after the failure of his attempted *coup d'état* in 1923. His autobiography, *Mein Kampf*, which is being brought out in English translation this Fall by Houghton Mifflin Company, has been sharply denounced by some writers in America because of its bitter attacks on Jews as the "corrupters" of Germany. The book, nevertheless, is one of the best guides to an understanding of Hitler's own development and of the present psychological state of the German nation. It sets forth most of the ideals which have animated the National Socialist party. One of these ideals, as indicated by the quotation above, was the union of Germany and Austria. It is the key to one of the chief problems which occupied Vienna, Berlin and the other capitals of Europe during the past Summer. (See Professor Nevins's article on page 73 of this issue.)

SPREAD OF NAZI INFLUENCE

Nazi activity in the countries bordering on Germany has caused some uneasiness and led to restrictive legislation. Following recent disorders in frontier towns by uniformed German Nazis who attended meetings in Holland, the Dutch authorities on Aug. 24 issued an order forbidding all Germans wearing brown shirts or other Nazi emblems to cross the border. Owing to the propagandist activities of National Socialists in South Jutland, the Danish Government has passed a law forbidding the wearing of political uniforms. In Switzerland, where the people live peaceably and under a democratic régime, several frontier incidents have caused indignation. Hitlerism was once viewed with considerable favor in the German part of Switzerland, but recently there has been a sharp decline in this sympathy as a result of psychological errors in the German Nazi propaganda, accompanied by some uneasiness lest the Nazi movement might threaten the independence of the German Swiss, and because the Nazi demonstrations are continually being held near the border of Switzerland with the aim of attracting Swiss citizens.

Spain's Premier Carries On

By WILLIAM E. LINGELBACH
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RUMORS of the crumbling of the Spanish Cortes and of the declining power of Premier Azaña have been so persistent that it was somewhat of a surprise when, on Aug. 17, the supposedly indifferent Cortes gave the government a substantial majority in three important divisions. Since every group of the Azaña Left-Wing Bloc supported the government, the Azaña program will be carried forward, including the lay system of education. Despite the reiterated demands of the Opposition for the election of a new Cortes, the old body will continue.

In the meantime the increasing agitation of the discontented elements has led to the passage of a special law, differing somewhat from the Defense of the Republic Act, by which a "state of prevention" may be declared against strikes and revolutionary activities. On Aug. 18 it was proclaimed for the entire Province of Seville, giving the police special permission to make arrests and enter houses without warrant, and, in case that is inadequate, granting authority to the officers of the law to transfer persons from one region to another. The excuse for the new measure is that it is necessary for the safety of the State and less objectionable than martial law by the army, a system that has in the past paved the way for dictatorship.

Catalonia has been less disturbed recently by the Syndicalists and Communists, though gunmen have been active, eighty having been arrested during the first week of August. In the Catalan country districts peasants continued their agitation against the landlords, seizing crops and threatening the occupation of the land if evictions and payment of rents were not stopped. At Castelet y Gernal a mob descended upon the law courts, where eviction cases were being tried, seized the records and drove away the judges. Much perplexed, the Catalan Parliament introduced a law abating the grievances of the peasants, which the landlords, however, declared they would not accept.

During August the demand for regional autonomy among the Basques advanced a step by the action at Vittoria on Aug. 6 of representatives of the municipalities of Alava, Biscay and Guipuzcva. No delegates from Navarre attended, for that province still refuses to cooperate with the Republic because of its breach with Rome and its anti-clerical policy. Nevertheless, the assembly at Vittoria drafted a plan for autonomy similar to the Catalan statute. Extremists urged a more radical assertion of State rights, which, with the enthusiastic reception of Basque and Galician nationalists in Barcelona, again aroused anxiety in Madrid over the possible revival of separatism.

A good deal of criticism of the government's recognition of Soviet Russia developed during the month, especially after Foreign Minister De los Rios announced that Anatole Lunacharsky would come to Madrid as Ambassador. Conservative and Catholic opinion denounced it as a weak betrayal of principles and likely to prove

of doubtful value commercially. Even the Republican paper *Ahora* pointed out that the coming of a Communist delegation might be politically dangerous to Spain since the Republic was not yet thoroughly established. Even trade results may, it remarks, prove "unfavorable to Spain." Government organs, on the other hand, approved the step.

Visitors to Madrid have found the extensive building and reconstruction projects in the city and suburbs somewhat annoying during the August heat. The government is manifestly determined to make Spain's fast-growing capital one of the most attractive cities of Europe—a demonstration of the enterprise of the Republic. The new Ministerial buildings at the end of the palm-flanked Boulevard Castellana are nearing completion. The reconstruction of the city's transport system, including the subway with its giant underground station at the Plaza Cibeles, many improvements in the suburbs and the rounding out of the buildings for the Cité Universitaire, which was begun under Alfonso, give an air of activity and purpose not associated with Spanish life in the old days.

During August the tragi-comic affairs of the tiny republic of Andorra were again featured in the public press. Following the demand of the younger element of the population for a share in the government and the modernizing of the little State, the co-princes—the President of France and the Spanish Bishop of Urgel—decided that the council should make way for a provisional council. But the old body objected to being ousted and appealed to the people. In order to gain popular support, the Councilors promised democratic reforms. Refusing to hold elections in August, as ordered by the viguiers (judges) appointed by the co-princes, the old council announced that Andorrans had always had the right to determine the date and the manner of their elections, which it proposed this year to hold in September. On Aug. 20 French "invaders" (fifty gendarmes) crossed the frontier, disarmed the local police, made several arrests and assumed control. Andorrans assembled in an open field near the "House of the Valleys" (capitol) and resolved that they would not attend elections till the gendarmes were withdrawn.

FASCIST PARTY ACTIVITIES

On Aug. 1 the order ending admission to the Fascist party by formal application became effective. Last year the practice of admitting only those recruited from the ranks of the young men who had been "graduated" from the youth organizations—Balilla, Avanguardisti and the Giovani Italiani—was suspended to permit others, who appeared worthy and applied, to join. When the order withdrawing the privilege was issued, a veritable stampede developed and many found themselves debarred. Among the Fascists these were regarded as not "desirables" anyway; otherwise, they would have taken advantage of the Duce's offer earlier. *Il Popolo d'Italia* declared that "all those deeming themselves worthy of Black Shirt membership had had plenty of time to apply." The campaign of the past year, it said, "has gathered in almost all the best Italians." According to official statements, the total number of adult members is now over 2,000,000.

Following upon the heels of the campaign to enroll in the party as many of the potential leaders in Italy as possible, a campaign for the creation of a more favorable foreign opinion and attitude toward fascism and Fascist ideas is apparently contem-

plated. The appointment of Count Galeazzo Ciano, Mussolini's son-in-law, recently returned from service in China, to be head of the government press office points to a new orientation of Fascist propaganda. True, the Duce has repeatedly said, "Fascism is not an article of export," and he has not made any effort to proselytize; nevertheless, he believes that the world must adopt some of its principles. Count Ciano succeeds Polverelli, who has had the post since 1931, and who, in the words of the Duce, "has made the Italian press an ever more efficient instrument in the service of the régime." The position also controls the press bureau of the Foreign Office and therefore Italian news for foreign readers.

The dramatic flight of Balbo's air armada from Italy to the "Century of Progress" in Chicago and back ended on Aug. 12, when twenty-three sea planes landed at the mouth of the Tiber. After being formally welcomed by the Crown Prince and Mussolini, the men were hurried in automobiles to Rome for a royal reception and triumphal procession the next day. Mussolini conferred the title of Air Marshal on General Balbo; each member of the crew was promoted one grade in rank and given a medal. Gold medals, the highest award for bravery, were given relatives of Sergeant-Mechanic Quintavallo, who was killed at Amsterdam, and of Lieutenant Squaglia, who died as the result of an accident in the Azores.

The significance of the flight is variously appraised. In the annals of mass flying it will stand out as a pioneer venture of real significance. The French press, in particular, has given serious attention to this aspect of the expedition, urging special watchfulness on the part of the nation's aerial defense, and hailing with approval a recent order by the Air Minister which granted relief from taxation and subsidies to aircraft manufacturers.

Statistics published early in August revealed 824,195 unemployed in Italy, a drop during July of 60,805. This slow, but consistent, improvement in employment reflects a modest advance in several important industries, among which are aircraft and aircraft motor factories, rayon, cotton and woolen industries. There has also been an encouraging increase in the number of applications for building permits. In the rayon industry the total output in the second quarter again rose to the 1932 level, while sales showed an increase of 40 per cent over the previous three months. On the other hand, exports fell off considerably, partly because of Japanese competition. There has also been a decrease of 20 per cent in the amount of silk seed sold in 1933, and a heavy shortage in the crop is inevitable. This prospective shortage, at a time when the oversupply of raw silk and cocoons has disappeared, has produced a serious situation in one of Italy's major industries. Meanwhile, depreciation of the dollar and the American gold embargo have caused further complication by reducing the demand for Italian silk. Strictly committed to the gold standard, Italian opinion continued during the month to voice its criticism of the inflationist policy of the United States. The symptoms of American recovery, so loudly proclaimed by the press, are not, Italians claim, the result of the depreciated dollar, nor are they even unique, for the signs of improvement are general.

Italy, nevertheless, is leaving no stone unturned to advance her economic recovery.

A New Constitution for Poland

By FREDERIC A. OGG
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THE outlines of a new Polish Constitution which Marshal Pilsudski and his supporters have been drafting are gradually being revealed. Next Winter, it is believed, will see an attempt to put the plan into effect. There will be plenty of opposition; and since the government bloc commands only a bare majority in the Sejm, whereas constitutional changes require a two-thirds vote, strong-arm measures may be employed—possibly some sort of *coup d'état*.

Interesting features of the new scheme were divulged by Colonel Walery Slawek, former Premier and head of the government bloc, in a speech on Aug. 7 at the annual meeting of the Legionaires Association in Warsaw. The President of the republic is to be given actual power; to be made, in Colonel Slawek's words, "a real leader bearing full responsibility." In the next place, the Senate, which at present is a popularly elected "secondary" chamber with limited powers, is to be raised to a position of equality with the Sejm, and is to be chosen no longer by the people at large. Two-thirds of the membership will be elected by a select list of citizens comprising the "élite" of the nation and the remainder will be chosen by the President himself. At the outset, the "élite" will consist chiefly of holders of the Virtui Military Cross who won decorations in the World War and more than 16,000 officers holding the Independence Cross who were honored for services rendered in Poland's struggles for national freedom. Later, the new Senate will select from the country's "best citizens" additions to this highly selective electorate. The Sejm will remain substantially unchanged—a lower chamber elected by universal suffrage according to the principle of proportional representation. It will, however, lose its former pre-eminence.

Obviously, the objective is a government which will be dominated by an aristocracy, not primarily of birth nor yet necessarily of talent, but of military and other forms of patriotic service. Old liberal ideas, declared Colonel Slawek in his speech, are dead; the Constitution must no longer be regarded solely as an instrument to protect citizens' rights and privileges, but must enable the best citizens to rule the State efficiently. For Marshal Pilsudski and the chief supporters of his dictatorship, the "best citizens" are, speaking broadly, the Legionaires to whom Colonel Slawek was speaking; they primarily are the "élite," best fitted to govern the State whose fortunes they preserved in the dark hours when an independent Poland seemed a romantic dream. Indeed, it is they who have really governed Poland in these last seven years; the new constitutional order is designed merely to give them formal and legal recognition as the nation's worthiest. Not even Paderewski is among the number.

On Aug. 5 Poland and Danzig signed two important agreements settling long-standing differences over the use of Danzig's port by Poles and over the

special rights of Polish citizens in the Free City. The former problem arose out of the unexpected competition between Danzig and the newly developed Polish port of Gdynia which tended to deprive the Free City of anticipated benefits from Poland's foreign trade. The latter concerned the relations in Danzig between the Polish and German languages and the right of the Free City's Polish population to have public and private minority schools. In the first agreement, guaranteeing Danzig a larger proportion of Poland's shipping business, the Free City came off victor; in the second, the Free City's new Nazi government made concessions which no non-Nazi government had been willing to make. By giving the Poles schools in return for more Polish freight, the Free City has cooperated with Warsaw in furthering European peace.

HUNGARY'S FOREIGN AFFAIRS

At the end of July the much heralded visit to Rome of Premier Julius Goemboes of Hungary served to clear up two questions which had stirred a considerable amount of discussion. One related to a Habsburg restoration in Hungary; it was reported officially, however, that in the conversations between Goemboes and Premier Mussolini no serious consideration was given the subject. The other concerned Mussolini's attitude on the revision of the Trianon treaty. As to this, all doubt was removed by the following telegram sent by the Italian Premier to the Mayor of Budapest on Aug. 1: "I was the first to proclaim the injustice of the Treaty of Trianon which crippled your great and noble nation. I will never alter my standpoint until reparation is made."

In opposition circles it is charged that the Premier's Italian excursion was fruitless. He was indeed, it is admitted, ready to pursue his country's revisionist program with vigor, but was warned in Rome that Italy's hands were too much tied by the Four-Power Pact to permit her to support any exclusively Hungarian campaign for revision. The Premier himself refused to admit defeat. "We have to acknowledge the Four-Power Pact," he said, "but on the other hand we know that any attempt to solve existing European problems without us is foredoomed to failure. Italy's influence has strengthened our already strong position in Danubian Europe, and every one now realizes that we are the deciding factor on the Danube."

Ludwig Perley, a member of the Budapest Municipal Council, and five other persons were arrested on July 29 on charges of plotting to assassinate Premier Goemboes on his return from Rome. The leader of the group was widely known as an extreme Nationalist who on various occasions had forced upon foreign diplomats in Budapest memorials demanding restitution of Hungary's former territories.

CZECHOSLOVAK RELIEF MEASURES

After a notable session which began on March 14, the Czechoslovak Parliament adjourned toward the end of July. Most of the new legislation was concerned in one way or another with problems growing out of the economic crisis. A large internal loan was authorized to secure funds for productive investment in public works throughout the country as a form of relief for unemployment. As more than 2,000,000,000 crowns was subscribed, this loan was decidedly more successful than anticipated. [On Aug. 31 the crown was valued at 4.13 cents.] Interest on government and other securities was reduced from 6 to 5 per

cent. Protection against rent increases was extended to certain categories of house tenants, while farmers were relieved of certain harsh features of execution judgments. Perhaps most important of all, an enabling act was passed conferring on the government for a period of five months extensive powers to deal with certain matters, mostly of an urgent economic nature, without previous consultation with Parliament. The Ministry of Food Supply was abolished and its functions distributed among other departments. In a Cabinet based on a seven-party coalition, there were inevitably some divergencies of opinions. Nevertheless a spirit of conciliation and compromise prevailed to a marked degree, with the interests of the country as a whole usually outweighing party or class interests.

In an interview at the beginning of August with a correspondent of the Hungarian *A Mà* of Bratislava, Dr. Kamil Krofta, Deputy Minister of Foreign Affairs of Czechoslovakia, interpreted the recent Four-Power Pact as indicating that the great powers desire no radical changes in the post-war order, brushed aside as unimportant the recently revived propaganda for revision of the peace treaties and indicated his belief that relations between Hungary and the three States of the Little Entente were improving. The present order in Central Europe, he admitted, is not "perfect in all respects," but, compared with the old order, it represents a great advance toward international justice and well-being.

Apart from curtailing Nazi propaganda, the Prague government has continued to pursue a liberal policy with respect to immigration from Germany so long as the newcomers do not indulge in political activities or obtain work in preference to the local unemployed. Jews form the majority of the refugees, but there are many others who have become "undesirable" in Germany, including not a few alleged spies and *agents provocateurs.*

FOREIGN LOANS TO RUMANIA

On Aug. 14 the Rumanian Government announced a transfer moratorium on all State and municipal debts, payable in foreign currencies, which is to continue until the nations still on the gold standard enable Rumania to export to their territories so that she can obtain the foreign currencies necessary for her debt service. The amount involved is about $24,900,000 annually. An American issue dated Feb. 1, 1929, and due Feb. 1, 1959, is included.

YUGOSLAV POLITICS

An attempt of the old Serbian Radical party to re-enter political life as part of a coalition with the Bosnian Moslems and the Slovenians was frustrated during the first week of August by the Slovenian leader, Father Anton Koroshetz, who, from his retreat on the Dalmatian island of Hvar, refused to participate in any coalition which did not include the Croats. The decision disappointed the government which had seen the plan as a means of furthering Croat isolation. It is reported that the Radical party will now seek the government's permission to reappear in the political arena by itself.

Seven months ago the Yugoslav dictatorship appeared to be at the end of its tether, and its early collapse was freely predicted. The scene, however, has shifted, and today there is little talk of the revolution that once seemed imminent. Not even the sentencing of Dr. Vladko Matchek, the Croat leader, to three years' imprisonment for nothing more than reiterating his demand for Croatian auton-

omy, has served to disturb the scene. The change is attributed by observers mainly to the effect of events in Germany, where the dramatic rise of a Nazi dictatorship has withdrawn the world's interest and attention from an older and less important dictatorial régime. "The dictatorship," say Belgrade cynics, "owes Hitler a letter of thanks, for in the flood of Brown-Shirt violence in German concentration camps and of anti-Semitic activities the severities of our dictatorship are like drops in the ocean." King Alexander recently visited Lika, the scene of last year's revolt, where he delivered conciliatory speeches at the same time that a former Yugoslav officer and other rebels who had been sentenced to death were reprieved.

Nazi Activity in Northern Europe

By SIDNEY HERTZBERG

THE Baltic littoral today is politically more active than it has been since the allied powers lined its eastern side with four new republics chiseled out of Russia. Aided by Hitler's God-given pan-Germanism, the Fascist elements in Northern Europe have given birth to an array of *Fuehrer* who are ready to lead their respective peoples to the National Socialist fountain of youth. How many followers they have it is difficult to judge.

The results of the Finnish Diet elections in July, reported here last month, provided no foundation for the optimistic hopes of the Fascists in that country. On the other hand, the election in the city of Memel, whose population is overwhelmingly German, was a landslide for the Nazis. (See August CURRENT HISTORY, page 628.) These have been the only elections in Northern Europe since Hitler assumed the Chancellorship of Germany.

The most disquieting indication of Nazi activity is to be found in the South Jutland district of Denmark. Unlike Austria, South Jutland is still regarded by the Hitlerite historians as foreign territory. But the Nazi party in Denmark is reported to be outspoken in its intention to reunite the region with the Reich. Although the wearing of political uniforms was prohibited on April 12, Nazi activities in the southernmost province have been intensified. More money is being spent in the German kultur campaign. No fewer than fifteen of the thirty-five German private schools in South Jutland have been established since July. House-to-house agitation in the typical Nazi manner is going on among the German residents to induce them to join the National Socialists. Below the border, the rights of the Danes in the part of Slesvig which remained German are gradually disappearing. Moreover, in Fensburg, Storm Troopers were reported to have marched through the streets "singing of the coming reunion of the Tyrol and North Slesvig with the fatherland." Danish anti-Fascists are said to be objects of a Nazi espionage system. For example, a Danish trade unionist, who had been assisting German refugees to cross the frontier was warned by the Nazis that he would be one of the first to be put in a concentration camp "when the change took place, and that will not

be long." It was reported recently that Pastor Peperkorn, a notorious Nazi agitator, had been put in charge of a special official "frontier bureau" in Kiel.

The Nazis are also using economic pressure in their campaign. Four German "trade advisers" for South Jutland were appointed late in August. Although they will be connected officially with the *Deutscher Handlingsgesseln,* it is believed that Nazi propaganda will be their primary concern. The German agricultural credit institution in South Jutland is advancing loans only to farmers whose children attend German private schools and who promise not to fly the Danish flag on national holidays. The 100 per cent German in Denmark is expected to have as few business dealings with Danes as is practicable. Small provincial papers throughout Denmark have received circulars in Danish offering them a German news service in exchange for $150 worth of advertising space each year to be used by German exporters. The church is likewise being converted. Pastors are being persuaded by offers of higher salaries and automobiles to spread the word of God under the aegis of the Slesvig Church rather than the Danish Lutheran Church.

The chief constables of South Jutland were to meet in Copenhagen on Sept. 5 with the Minister of Justice to discuss the frontier situation and the necessity for greater vigilance. As the Nazi agitation has aroused strong patriotic sentiment among the Social-Democrats, the Cabinet may be expected to put up stout resistance to Nazi aggression.

The Slesvig question is centuries old. The last redrawing of the border, provided for in the Treaty of Versailles, seemed to be an eminently just settlement. The plebiscite in the North Slesvig district on Feb. 10, 1920, gave Denmark 75,431 votes and Germany 25,329 votes; as the Central Slesvig plebiscite on March 14, 1920, revealed 48,148 supporters of Germany and 13,029 votes for Denmark, Germany retained this district. The plebiscite in the southern zone was never held. Denmark was almost unique among the nations at the Paris Conference in her diffidence toward territorial acquisitions. She wanted no more than she was clearly entitled to. In the Folketing election last year, the Slesvig party, which favors frontier revision, polled only 9,867 votes, a gain of 80 over 1928. The out-and-out National Socialist party received 765 votes. The German vote in Denmark immediately after the plebiscite was about 7,500. In the population of South Jutland, which is approximately 180,000, the German minority totals about 27,000, of whom less than half speak German. Denmark's treatment of her German minority is exemplary. The Germans are free to develop their own way of life; German parents send their children to German or Danish primary schools and German private schools receive State grants along with the Danish. In view of all these considerations, it is difficult to see how even an inflamed pan-Germanism can expect to woo South Jutland successfully. Should the Slesvig flirtation ever become as serious as the Austrian situation, Denmark's civilized conduct should stand her in good stead among the powers whose aid she would have to seek.

Thus far Norway seems to have avoided the Nazi infection. Sweden, however, has not escaped. Using Malmö, which is about fifty miles from the German coast, as headquarters, the Swedish Nazis are concentrating their propaganda in the southern

province of Skane. Here, it is reported, they are making some progress among the younger students. That their success is not greater may be due to the strong counter-propaganda of the Social-Democrats. Fascist influence, the extent of which cannot yet be determined, is also making itself felt among the youth in the Conservative party. The National Socialists, in the Riksdag election of September, 1932, polled 15,160 votes, but did not win any seats. Swedish fascism is the favored recipient of Hermann Wilhelm Goering's particular attention. The Prussian Premier's late wife was Swedish, and Captain Goering frequently visits his father-in-law.

On July 21, the Swedish Government, acting under powers granted by the Riksdag, prohibited the wearing of party uniforms or sleeve badges after July 31. It also required all owners of firearms to report to the police by Sept. 1 or risk severe punishment. Swedish stevedores, perhaps the most radical element in the working class, refused to unload a German tanker in Stockholm on Aug. 16, when the Nazi swastika was run up. Another source of irritation was the discovery that mail addressed to Sweden coming from or going through Germany was being tampered with.

Swedish temperament and traditions militate against the success of fascism. The Riksdag is more powerful today and more jealous of this power than it has been during all its 498 years of continued existence. A few months ago, Knut A. Wallenberg, patriarch of Sweden's most powerful private financial dynasty, in one of his infrequent public utterances, predicted that Sweden would remain untouched by the political convulsions of the Continent. He described the persecution of the Jews as "the greatest folly in centuries."

Directly across the Baltic from Stockholm, Estonia is chafing under an emergency law "to preserve the tranquillity and safety of the State." Hitherto a mild form of martial law has existed in Reval, Tartu, the frontier zones and on the railways. The new proclamations dissolve extremist organizations of the Left and Right, impose censorship on the press and extend the powers of the police in the supervision of public meetings.

The government's specific reason for this action was that a revolutionary movement threatened the existence of the present democratic régime. The suspected insurrectionists were members of the League of Participants in the War of Liberation, a veterans' organization with Fascist ideas. For the past few months, the Estonian Socialists have been concentrating their attacks on this group. Despite the veterans' disavowal of subversive intentions, the Cabinet apparently decided that, by clamping down the lid, it would be playing safe and at the same time placating the Socialists whose toleration is important to its continuance in office. The Right opposition had been demanding openly that the powers of the President be extended and that the membership of the State Assembly be halved.

Memel Territory, wedged between Lithuania and East Prussia, provides the former nation with its only outlet to the sea. One may assume that the Lithuanians will stop at nothing to retain their control. During the past few months this task has been made increasingly difficult by the growth of the Nazi movement. Memel has three thriving Fascist groups—two German and one Lithuanian. About half the territory's 145,000 inhabitants are Germans whose allegiance

is definitely with Germany. There is little thought of rejoining the fatherland, however, because the business interests, even though predominately German, are anxious to retain their trade with the Lithuanian hinterland.

Lithuania's determination to weaken the National Socialist influence was indicated on Aug. 24 when the government abrogated the agreement between the German Protestant Church and the Protestant Church of Memel Territory. Lithuania's explanation of this action was that one of the contracting parties ceased to exist when Hitler's "German Christians" gained control of the German Protestant Church.

The Test of Soviet Economy

By EDGAR S. FURNISS
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So much attention has been given to the conflicting reports of conditions in the Soviet Union that the deeper significance of Russian successes and reverses has been overlooked. Actually behind the present situation, with all its light and shade, the efficiency of the Soviet system of economy is being tested, and this should not be lost sight of amid the confusing midsummer surveys of events in the Soviet Union.

Some accounts, emanating not only from Riga and similar centres of White Russian propaganda but also from the investigations of impartial observers on the ground, paint the situation in extremely gloomy colors, likening current conditions to those which prevailed during the disastrous famine of 1921. The Soviet Government, on the other hand, has consistently minimized the extent and severity of the crisis and has treated these more lurid accounts with scorn and ridicule.

When one attempts to appraise the elements of truth in these reports he concludes that the Russian people have been passing through a period of privation much more severe than the Soviet authorities have been willing to admit. Apparently in some districts and among certain classes of people whose social position renders them particularly insecure there have been numerous deaths from actual starvation. On a much wider scale the inadequate food supply has caused general undernourishment that has resulted in the diseases commonly associated with famine conditions, and in an immense rise of the death rate. Recent actions of the government itself support such a view. Early in the Summer, Soviet officials began to exclude foreign travelers from the districts in which conditions had been reported as especially distressing; in August the press correspondents at Moscow were abruptly ordered to abstain from all tours of inspection in these regions. On Aug. 20 the price of bread in Moscow was suddenly doubled, despite forecasts of a more plentiful and cheaper food supply.

With every desire to avoid exaggeration, it can at least be said that recent Soviet statistics of higher wage rates and better living standards, as measured in monetary terms, have little significance in the face of prevail-

ing conditions. For the past half year or more the common man in Russia has been engaged in a grim struggle to obtain for himself and his family the barest essentials of existence.

The present situation, however illuminating it may be with regard to the actual achievements of the Communist program in the past, is of minor importance compared with the outcome of this year's agricultural campaign. Misery has not yet produced rebellion against the nation's rulers; nor has the government been compelled to modify in any essential particular its socialistic agrarian and industrial organization. A successful harvest this year will preserve, at least for the present, these fundamental features of the Communist program; another failure will probably mean the end of experiment along such lines for some time to come. Realizing early in the year the critical nature of the problem, the Soviet leaders at once attacked it with their accustomed vigor and single-mindedness, first through the application of ruthless repressive and punitive measures to large groups of the peasants who were held to be recalcitrant; and later, by a nation-wide promotion campaign carried out by a specially created political bureau possessed of dictatorial powers over the planting, cultivation and harvesting of the crops.

If one is content to estimate results in terms of quantity of output without regard for production costs, there is every reason to pronounce this agrarian campaign a success. The sowing program was almost completely fulfilled, and favorable weather conditions throughout the country produced a crop of standing grain varying from 30 to 150 per cent above the average in the principal producing areas. As reports of the harvest began to come in about the first of August, the Soviet press recorded a succession of triumphs on what it calls "the agrarian front." Early in the month many of the collectives had already completed their grain deliveries for the year, and others were reporting a harvest three times that of last year. By Aug. 15 the government could declare that grain requisitions were assured and could predict a larger surplus in the hands of the peasants than in any recent year.

Efforts are now being made to turn this surplus into the government agencies, presumably for export, by means of the "free trading" permitted to the collectives and individual peasants who have discharged the grain requisition in full. Official organizations have gathered together all available supplies of consumers' goods, removing them from the cities to the rural villages, where they will be bartered for the peasants' surplus food stocks at prices fixed by the government. While this policy has made conditions of life in the industrial centres somewhat harder, it has begun to have its effect on peasant trade.

But, to stabilize the nation's agrarian economy permanently on the basis of the new collectivist forms of organization, it is not enough to produce large amounts; it is essential that this product represent a surplus in excess of costs. There is every reason to question whether this year's abundant harvest has not been more than offset by the nation's expenditure of human labor and capital. Admittedly cost was not considered, perhaps necessarily so, in view of the national emergency. The nation's man power was expended lavishly in non-productive activity, such as the direction and control of the working peasants by an army of political masters. In like manner, all the available me-

chanical equipment was applied to the problem in hand without thought of the appropriate charges for maintenance, repair and replacement.

These statements are not made in criticism of the methods employed in the crisis, nor are they intended to belittle the moral and political importance of the achievement in terms of the nation's food supply. But they do have an important bearing upon the inference so freely drawn by the Soviet press and officials from the success of the agrarian campaign, that it has demonstrated finally the superiority, and insured the permanence, of socialistic organization of agriculture. Of course no such conclusion can be drawn from the facts; it remains still to be demonstrated whether this structure is sufficiently efficient under normal conditions to provide a basis for the nation's economy.

That the Soviet authorities are not unaware of the long-run importance of these considerations is shown by their concern over a phase of the collectivist movement which goes to the very heart of the problem: namely, the inordinate growth of bureaucracy. The press has launched a campaign against this evil, with many illuminating examples of its extent. One collective in North Caucasus is described as containing four administrators for every six men at work in the fields; in another, more than half the personnel is engaged in administrative work; in still another, a third of the total income this year will be needed to maintain the non-laboring officeholders. These are but isolated instances, drawn from a nation-wide survey whose data caused *Economic Life* to conclude early in August that administrative staffs in the collectives are often three or four times larger than the number ordered by the government; that they frequently take no part in the actual enterprise, while sharing in the product on a higher scale than the "producing collectivists"; that the expenses of bureaucracy are, in general, unnecessarily high. Apparently, these are commonplace features of the agrarian system, quite apart from the multiplication of administrators induced by this year's exceptional conditions. Moreover, the government has admitted that the bureaucracy afflicts all branches of Soviet enterprise, industrial as well as agricultural. Until such a situation has been remedied, it is prudent to take account of the costs involved before drawing conclusions as to the productive efficiency of the system.

Information concerning economic conditions outside of agriculture is fragmentary. There are numerous isolated examples of progress. According to government reports, the automotive industry has at last worked its way out of its initial state of collapse, having exceeded its schedule both of automobiles and of trucks during the first six months of 1933. The shipbuilding industry has recently completed five freight vessels and has eight more under construction. The heavy metal industries are said to be operating satisfactorily; and the new hydroelectric plants have been put into production. A number of general surveys of Soviet industry made public recently by foreign visitors have commented favorably, even enthusiastically, on the general progress of the program.

On the other hand, there have been failures. The official press has expressed alarm over the decline of the coal industry which it attributes significantly to a breakdown of labor discipline, despite extreme measures adopted by the government earlier in the year. The Soviet authorities recently issued a decree closing many of the factories producing consump-

tion goods as a punishment for the inferior quality of their product. Of greater importance is the steady deterioration of the railway services which, as acknowledged by the government, have declined in efficiency continuously during the last two years. Indeed, so critical is the situation in this vital industry that in July the entire rail structure of the Union was placed by decree under semi-military government administered by a special branch of "political police," exercising almost unlimited punitive powers. In connection with this effort to rehabilitate the railways the government has summarily dismissed five Vice Commissars of Transportation, including the colorful Bill Shatov, known in America as a former I. W. W. agitator and recently honored in Russia for his achievement in building the Turk-Sib Railroad.

There is danger, of course, in drawing from this scanty evidence general conclusions, either favorable or unfavorable, as to the eventual success of the Communist program; the situation is still uncertain, even as it is in Soviet foreign trade. Although the Soviet Union must produce an export surplus in order to meet maturing obligations and to support her program of industrial construction with its inevitable demand for foreign equipment, her trade balance shows an accumulating deficit. Soviet exports last year declined 30 per cent. At the end of 1932 debts incurred abroad in connection with the Five-Year Plan totaled some $800,000,000; nearly $500,000,000 of these debts mature during the present year. The small export balance of the first half of 1933—the first since 1929—is of little avail to meet these obligations.

Obviously it is impossible for Russia to clear her international accounts currently from her trade balance and equally impossible for political reasons to turn her commitments into long-term obligations. Credits which she is acquiring from time to time, such as the recent R. F. C. loan in America, have but slight bearing on this general situation since their proceeds are to be used for new purchases. In connection with the discussion of American policy toward the Soviet Union, the statement has been made repeatedly that the Soviet régime has never once defaulted on her foreign obligations. While true, it should be added that the Union is only now beginning to face the full effect of her system of foreign financing.

Within the past two months amnesty decrees promulgated by the government have freed vast numbers of political prisoners who had been exiled to the lumber camps, mines and other Soviet enterprises in the far north. The first of these, said to affect over 100,000 people, permitted peasants who were deported in the Spring to return to their homes. A second decree—a reward for efficient service—released some 13,000 criminals and political prisoners who had been at forced labor on the White Sea-Baltic Canal. These events may be taken as evidence of a lightening of the pressure of dictatorship due chiefly, it is inferred, to the success of the agrarian campaign. Of similar import is the recent creation of an All-Union Procuratorial Department with power to investigate "the legality and correctness of the Ogpu, the militia, criminal police and corrective institutions" in defense of the civil rights of individuals.

The improvement of Soviet foreign relations has continued. (See September CURRENT HISTORY, pages 757-761.) At the end of July, Spain accorded the Union formal diplomatic recognition and appointed a commission to draw

up a trade agreement. On Aug 13 Uruguay informed the Union of her decision to establish an embassy at Moscow. As forecasting further development of the Franco-Soviet rapprochement much significance was attached to Edouard Herriot's protracted visit to Russia and her Eastern European neighbors. Germany, despite strained political relations, has agreed through a group of private bankers to extend a credit of 50,000,000 marks for the financing of Soviet trade. In the Far East negotiations with Japan and Manchukuo for the sale of the Chinese Eastern Railway, though still incomplete, were reported as progressing favorably.

Assyrian Unrest in Iraq

By Robert L. Baker

Ever since Iraq entered the League of Nations, in October, 1932, under the sponsorship of Great Britain, skeptics have anticipated some situation that would test the ability of the new State to deal effectively with internal difficulties. It has been asserted, especially by the French, that Iraq was being released from mandatory control too soon for her own good. The skeptics have not had long to wait, for Iraq has been embroiled since early August with a discontented and militant part of her Assyrian minority in the northern part of the country. There have been rebellion, outrages upon innocent villages, allegations of French bad faith and reports that Iraqi commanders had murdered Assyrian prisoners in cold blood. British prestige and sentiment and Syro-Iraqi relations were involved, and, though the Iraqi Army appears to have restored order by employing harsh measures, the whole matter will come before the League Council at its meeting in September. Unless King Feisal punishes certain of his officers for their savagery, Iraq will face that accounting without a friend to take her part, and it is not unlikely that the League will appoint a commission to dictate a solution of the Assyrian problem. Such an outcome would be a serious reflection on Iraq's sovereignty and an even greater blow to national pride.

The Assyrians claim to be the oldest Christian sect in the world, a claim that is disputed, however, by the Coptic Christians of Egypt. Before the World War they lived in the mountains to the north of Mosul as a semi-autonomous community under the Ottoman Empire. Soon after the outbreak of hostilities they were prevailed upon by Russian agents to rise against their Turkish masters, but after the Russian collapse they were driven into Persia by Turkish forces. Then they allied themselves with the British army in Mesopotamia, and the Assyrian "levies," as their troops were called, gained a reputation as efficient fighters. After the war they settled in Northern Iraq, but to the south of their traditional home, which was included in the new Turkey. As the region was already inhabited by their age-old enemies, the Kurds, it was impossible to settle them in such a way as to restore their old unity. But so long as the British mandate over Iraq continued, the Assyrians gave it their

hearty support and had only occasional trouble with their Kurdish neighbors. British partiality for the Assyrians, and the employment of their "levies" to guard the British airdromes which were retained after the mandate was surrendered, increased the antipathy of the overwhelming Arab-Moslem majority against them.

In recommending Iraq for Statehood and admission to the League, the British Government did not provide for any special treatment for the Assyrian minority. The latter at once became fearful for their security under Moslem Iraq. Trouble was foreshadowed last November when the Assyrians, in a number of petitions to the League, demanded that they be settled together and that they should be allowed the autonomy that they had enjoyed under the Sultan. The Iraqi Government indignantly refused these demands, declaring that it had subscribed to the customary clause guaranteeing protection to minorities. A committee appointed by the League Council, under the presidency of Eduard Benes, recommended "that the Assyrian community should be settled in such a way as to obviate its being scattered among the populations of other races." This resolution was accepted by the Iraqi delegate, who announced that a foreign expert would be engaged to deal with minority problems.

The settlement of the Assyrians as a homogeneous group has proved a failure, because the Kurds, among whom they are at present scattered, are not only more numerous, but have dwelt in the region for centuries. Moreover, the Assyrian Patriarch, Mar Shimun, has refused to relinquish his temporal authority or to approve the steps taken by Iraq to make the best settlement possible. In May, when he went to Bagdad on the invitation of the Iraqi Government to discuss the problem, he was immediately placed under guard, and subsequently deported to Cyprus.

The detention of the Nestorian Patriarch appears to have determined an already dissident minority of his followers to rebel. Late in July, some 1,300 armed Assyrians assembled near the Basrilan Mountain, but, finding strong Iraqi forces confronting them, fled across the frontier into Syria, where a majority were disarmed by the Syrian authorities. The Iraqi Government promised to allow the Assyrians to return to Iraqi territory if they would surrender their arms.

Early in August the Franco-Syrian officials restored rifles to about 500 Assyrians who had announced that they wished to return to Iraq. The Assyrians then told Iraqi authorities of their intention to surrender their arms upon returning to Iraqi soil. On Aug. 4 they crossed the Tigris, which forms the frontier between Northern Iraq and Syria, destroyed a small Iraqi detachment and then fled to their mountains. Many of their original band also recrossed the frontier. The Iraqi commander in the north was a Kurd, Bekir Sidkey Bey, who immediately launched punitive drives against the rebels. In addition to his regular troops, he drafted as police a large number of Kurdish irregulars, the hereditary enemies of the Assyrians. Bekir murdered many of the prisoners that fell into his hands and his irregulars slew several hundred innocent Assyrian villagers.

King Feisal, who was in Switzerland when the first clash occurred, at once hastened by plane to Bagdad. As the situation became more serious, he engaged a plane to take him back to Switzerland, apparently wishing to get out of the mess, but British pres-

sure was brought to bear and he remained in Bagdad. In London, in fact, the situation in Iraq for a time held the centre of attention, not only at the Foreign Office but also in the press. Premier MacDonald hurried from Scotland for consultations with Foreign Office officials. Letters in behalf of the Assyrians were written to the editor of *The Times* by a number of persons, including Lord Cecil and Lord Lugard. It was felt that British honor, and to some extent British responsibility, was involved. Apparently the British Government has urged Feisal to punish those responsible for the outrages, so that Iraq may avoid censure at Geneva.

Iraq has offended the French by charging that the Franco-Syrian authorities, in restoring arms to the Assyrian rebels, violated the provisional agreement that has been in force between Iraq and Syria since 1927 and that the raid, since it began on French soil, constituted "aggression." In Paris, French responsibility was disclaimed, and it was asserted that since the government of Iraq had not made its domestic difficulties known to Syrian and French authorities, and since the Assyrians who crossed into Syria had not shown any warlike intentions, there was no way of knowing how serious the problem had become.

King Feisal finds himself in a peculiarly embarrassing position. If he punishes Bekir and others responsible for the massacres in Northern Iraq he will antagonize the vast majority of his people, who are Arabs and Moslems. If he fails to punish them he will be unable to count on British support at Geneva.

THE ZIONIST CONGRESS

The World Zionist Congress opened at Prague on Aug. 21 for its eighteenth annual meeting to consider measures to relieve the Jews of Germany from their severe and calculated persecutions. The 319 delegates represented all shades of Zionist opinion and all parts of the world. The main object of the congress this year was to coordinate Jewish efforts to combat Nazi anti-Semitism instead of leaving to each group the choice between protests, boycotts and relief funds as means of aiding the German Jews.

The leaders of the Zionist movement had hoped for internal peace among the factions that would enable the congress to offer a united front against anti-Semitism, but this was not to be. From the beginning there were heated clashes between the Zionist Labor and Revisionist (Fascist) parties, representing the extreme Left and Right in Zionist politics and economics. This discord arose mainly because the Laborites demanded that the congress appoint a committee to investigate the murder of Dr. Chaim Arlosorov, their leader in Palestine, with which the Palestine Revisionists have been charged. This dispute prevented the election of a president of the congress until the third day, when Dr. Selig Brodetzky of Leeds, England, was chosen. The Laborites had their way about an investigation on Aug. 31, when the congress, by a vote of 179 to 70, approved the appointment of a committee to investigate the Arlosorov murder and other evidences of terrorism in Palestine.

In speeches and debates the policy of the present German Government was often violently attacked, but the resolutions actually adopted by the congress showed a restraint that seems to have been influenced by the announcement made by Chancellor

Hitler's lieutenant, Dr. Alfred Rosenberg, in the *Voelkischer Beobachter* on Aug. 24, that the attitude of the German Government toward Jewish emigration would depend entirely on the results of the congress. For example, demands of the Revisionists and Democratic Revisionists for a strict boycott of Germany and for action by the League of Nations on the basis of the minority clauses of the peace treaties were overwhelmingly defeated. The congress merely adopted a mild resolution invoking League aid for the German Jews without specifying its extent or exact character.

Speaker after speaker declared that the policy of the British Government and mandatory authorities toward Jewish immigration into Palestine must be greatly relaxed in view of the crisis among the German Jews. Extremely optimistic estimates, sometimes running into the millions, were made as to the number of Jews that Palestine can absorb in the near future. At the end of August, however, the congress had not seriously considered this important question. The resolution when adopted will undoubtedly call for a quota far beyond what the British will accept, in view of the recent pessimistic reports on Palestine's ability to absorb immigrants. (See page 763, September CURRENT HISTORY.)

On Aug. 14 it was announced that the Palestine Government had granted 1,000 certificates for German Jewish refugees in advance on the immigration schedule for the six months ending in March, 1934. If the present rate of increase is maintained to the end of the year it is estimated that Jewish immigration will total 30,000, including tourists who decide to remain and illegal entries.

TURKISH CULTURAL PROGRESS

The most recent of Turkey's long series of reforms is the complete reorganization of Istanbul University. About a year ago M. Albert Malche, a Swiss professor, was asked to prepare a plan for a modernized national university. M. Malche's proposals were embodied in a bill which the government laid before the Grand National Assembly and which, amid considerable grumbling, was passed on May 31. The old university was abolished, and on July 31 the entire faculty was discharged, although the next day about one-third of the teachers were hired by the new institution. The Université, as it is called at present, will be composed of four faculties: Letters, Law, Medicine and Science. Three Schools—Dentistry, Pharmacology and Foreign Languages—are to be established, and ultimately there will be Institutes of Islamic Research, Turcology, National Economy and Sociology, Geography, Morphology, Chemistry, Electromechanics and Turkish Revolution. No student can obtain a diploma in any branch of study unless he has passed an examination in Turkish Revolution.

As Turkey has become reconciled to using foreign experts until Turks can be trained, most of the faculty of the Université will come from abroad. Thirty-eight foreign professors, most of them with world-wide reputations in their fields, have been engaged. Though their names have not yet been published, it is understood that a large proportion of them are Jewish scholars who have been expelled from Germany. The teaching force will be classified as follows: Professor, teacher, deputy professor, candidate deputy professor and assistant. The candidate deputy professors will be chosen from among young Turks who have been

graduated with great distinction from foreign universities. Upon these rest the hopes of the Turkish nation for a future national educational system.

Another significant step in Turkey's cultural development was the opening on Sept. 1 of a government-subsidized Stage Academy at Ankara. The Academy includes sections for theatre, opera, music and ballet, under the instruction of foreign teachers. A State Theatre and a National Opera will be attached to the Stage Academy, and plans for permanent buildings have already been drawn. The facilities will be available to both boys and girls. Only students who are graduated with distinction will be engaged by the State Theatre and the Opera. Less successful graduates will be given posts as teachers in Turkish schools.

PEACE IN ARABIA

One of the bitterest feuds between Arab princes was ended at Jerusalem on July 27 with the signing of a treaty of friendship and a protocol for arbitration between the Emir Abdulla of Transjordania and King Ibn Saud of Saudi Arabia. Conversations were begun at Jidda on April 23 and resumed in Jerusalem on July 7. Acting for Ibn Saud were Sir Fuad Hanezeh Bey, Wahabi Deputy Minister of Foreign Affairs, and Sir Andrew Ryan, British Minister at Jidda; for the Emir Abdulla, the negotiators were Tewfik Abu Huda Bey, Chief Secretary to the Transjordan Government, and two other English advisers.

The two parties undertake to do their utmost to preserve peace and friendship and to settle all differences and disputes by amicable means. Border control officers of both countries will work together to prevent border incidents. Letters of ratification are to be exchanged within six months, when the treaty and protocol will become effective.

This adjustment in inter-Arab relations appears to have been the result of the dangerous situation created last year when Ibn Rifada, who had rebelled against Ibn Saud, used Transjordanian territory as a base for raids into Saudi Arabia. Ibn Saud succeeded in putting down the rebel chieftain, but for a time hostilities between the two countries appeared imminent. The treaty is the more significant since Abdulla was supposed to be the member of the Hashemite dynasty who was most bitter against Ibn Saud for seizing the Hejaz in 1925, and driving him and his brother Feisal from their inheritance. The pledges exchanged are second in importance only to the treaty of 1930 between Ibn Saud and Feisal, which has been so faithfully kept on both sides.

EGYPTIAN AGRICULTURE

The continued low price of cotton has caused the Egyptian Government to try to persuade the fellahin to plant more acreage in cereal crops and less in cotton, vast amounts of which are stored in government warehouses and are unsalable at existing low prices. The peasants responded well to this propaganda and cotton acreage fell from 1,841,478 feddans (the feddan is a little more than an acre) in 1930 to 1,093,701 in 1932. But because of the extremely low prices of grains, the peasants have returned to cotton and the figures just issued by the Ministry of Agriculture show that the acreage planted in cotton in 1933 has risen to 1,804,209 feddans.

On Aug. 18 Sir Miles Lampson, British Minister to China since 1926, was appointed High Commissioner for Egypt and the Sudan. He succeeds Sir Percy Lyham Loraine.

Warlike Japan

By TYLER DENNETT
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JAPAN has recently completed her grand manoeuvres, which are held once every three years. Beginning with a three-day-and-night war game over Tokyo, in which were enlisted the interest and cooperation of more than a tenth of the entire Japanese population, the game ended in a sham battle in the neighborhood of the Bonin Islands. The plot for the drama appears to have been the "capture" of the Caroline and Marshall Islands —Japanese mandates—by a hypothetical American fleet. The objectives were to defend Tokyo from air raids by a foe approaching by sea from the southeast, and then to defend, or retake, the Japanese mandates.

The air raids over Tokyo were accompanied by every device to make them dramatic—sirens, utter darkness, loud bombs, trails of smoke and very active white-garbed nurses, doctors and stretcher-bearers. The latter would seize a "victim," bind up his imaginary wounds and rush him off on a stretcher to temporary hospital centres. Some Western people believe, although falsely, that the Japanese are a stolid rather than an emotional people. Hugh Byas reported that he saw one "casualty"—a young boy—draw tears from the eyes of sentimental bystanders.

The drama abounded in striking episodes which appear to have been calculated to impress Japanese taxpayers with the urgent necessity for a larger navy, notwithstanding the fact that the naval forces assembled were the largest ever brought together by Japan. In former years, when the budget estimates for the navy were presented, the government has opposed radical increases, but this year there appears to be general support for estimates which are at least 30 per cent above those of previous years.

The new construction program for the Japanese Navy contemplates that in 1936 Japan will have a fighting tonnage strength of 772,437, as compared with the American tonnage of 941,420. The American Navy will then, counting the thirty-two new vessels authorized under the National Recovery public works program, be about 80 per cent of the strength allowed by the London Naval Treaty ratios, while the Japanese Navy will be up to treaty allowance, thus creating a ratio of 7 to 8 in favor of the United States, instead of 7 to 10.

While the exact date for the opening of the Simla trade conference of Japanese and Indian representatives is still in doubt, both the Japanese and the Indian delegates have been appointed. The former sailed for India on Aug. 24. Japan has also sent delegates to London to confer with British industrialists on the cotton industry. In Australia there has been further agitation against alleged Japanese "dumping." The articles chiefly affected are certain kinds of rubber goods, cotton toweling, electric lamps, wax crayons, earthenware, handker-

chiefs, knitted piece-goods and bicycles. From Java it is reported that Japan is conducting an energetic and successful campaign for markets which are no longer secure to the Dutch merchants. In textiles the competition has been especially keen. Meanwhile, at Manila, Japanese middlemen and Java sugar producers submitted the low bid, $.027 per pound, for the nearly 2,000,000 pounds of sugar required by the United States Army in the Philippines. The figure for Filipino sugar was nearly twice as high.

Japan is also planning an active campaign to displace British trade in Central and South America. The Mitsui interests, for example, are sending out a delegation of trade experts and the government is reported to have extensive plans for the promotion of foreign trade—export control and management, establishment of new trade offices abroad, increase in the number of export trade associations, the conclusion of new trade agreements and import regulations for products coming from countries which impose restrictions on Japanese imports. The same dispatch from Tokyo, on Aug. 18, quoted the spokesman for a group of Osaka exporters as stating that the trade campaign will be directed chiefly at British products and that "every effort will be made not to come into competition with goods from the United States" in the Latin-American markets. Apparently the Japanese are looking about to see where the money can be found to pay for the formidable losses in Manchuria. As foreign loans are still unobtainable, foreign trade is the only resource.

Without actually asserting sovereignty, Japan has formally objected to the French occupation and annexation of nine coral islets—fly specks on the map—southwest of Manila. The note of protest has not been made public, but is understood to have pointed out that a Japanese company operated in these islands from 1918 to 1929 and had invested in them no less than 1,000,000 yen. It is not yet evident whether the protest is merely the routine action of a Foreign Office which is prone to reserve its rights, whether valuable or not, or whether Japan is laying the basis for a claim that she must in the future be consulted about all changes of territory in Eastern Asia. The latter policy would be in line with the assertion of a Japanese "Monroe Doctrine" about which so much has recently been said in unofficial quarters. In the last few years the Japanese Foreign Office has appeared before its own people in the not very glorious rôle of offering concessions to foreign States rather than as an aggressive defender of the nation's right. Perhaps these islets will provide the Foreign Office with an opportunity to ride a wave of popular enthusiasm such as that which now carries the army and navy.

In the light of these events the revival, at the meeting of the Institute of Pacific Relations at Banff, of the subject of Japanese exclusion in the United States becomes a matter of something more than academic interest. The speeches at Banff prompted the Vice Minister for Foreign Affairs at Tokyo to declare that the exclusion laws are "an affront to Japan's national honor." At Banff, Professor Teijiro Yueda of the Tokyo University of Commerce, after pointing out that Japan expects an increase of 10,000,000 in her population by 1950, said: "To bottle up a growing nation such as the Japanese in narrow islands is not only unreasonable but also courts danger for the world."

There is still considerable sentiment in the United States, especially among the philanthropists, for placing Japa-

nese immigration on a quota basis. The reason urged is the desirability of removing the alleged slight to Japanese national honor. But it should not be overlooked that, however much the Japanese may be annoyed by Asiatic exclusion, they are even more troubled about the addition of 10,000,000 more people to the population. A quota of 100 or 200 Japanese immigrants for the United States, once granted, will prove almost as much of an affront as no quota at all.

Japan apparently proposes to provide for her increasing population by energetic trade promotion such as is now in progress, by naval building and by the exertion of military pressure wherever in the world it appears to promise success. This, of course, does not mean imminent Japanese invasion of the Pacific Coast. On the other hand, it offers scant encouragement for the notion that Japan would, out of any abundance of good-will, forbear to press for a very large quota if at any time there were prospects that she could achieve it, even by the methods so recently exhibited in the Far East.

THE CHINESE EASTERN

The negotiations in Tokyo for the sale of the Chinese Eastern Railway have proceeded leisurely while the physical property continues to disintegrate and its economic and strategic value grows less and less as the new railway plans of Japan are matured. Time is on the side of Tokyo. Although the Soviet Government has reduced its demand from 250,000,000 to 200,000,000 gold rubles, thus bringing the proposed price down to $102,800,000, Japan has continued to offer only 50,000,000 yen, about $13,375,000 at the current rate of exchange.

On Aug. 8 the Soviet representative, Benedict Koslovsky, and Chiuchi Ohashi, who acts as Vice Minister for Foreign Affairs for Manchukuo, began private conversations in Tokyo, unattended by Japanese observers or Manchukuoan delegates. According to reports, an attempt was being made to fix a rate of exchange between the yen and the ruble. While the Russians have been contending for the full value of the gold ruble in the railway sale, some time ago they agreed to a rate of 32.5 yen for 100 rubles for payment of the fishery leases. A similar rate for the railway would bring the Russian demand down to about 75,000,000 yen. Between the latter figure and the 50,000,000 offered by Japan there is no such spread as to preclude eventual agreement. It is reported that never since the Japanese occupied Manchuria has any one shown any conspicuous zeal for the care and repair of this once valuable railway property.

In Paris it was rumored in the early part of August that an arrangement had been reached with the Japanese for the recognition of French rights in the Chinese Eastern. It was alleged that the agreement was effected by M. Massenet, president of the Franco-Asiatic Bank, who has recently been in Harbin. Though the terms were not disclosed, it was believed that the deal would involve further French investments in Manchuria. On the other hand, the French Government would not be likely to consent to any new investments until Japan is willing to honor the gold clause in the City of Tokyo bonds.

CHINESE CONFUSION

The last remnant of Chinese military opposition to Japan seemed to collapse suddenly on Aug. 6, when Marshal Feng Yu-hsiang, deserted by most of his former military friends and threatened by Japan, resigned

and handed over the control of Chahar Province to General Sung Chi-yuan. A week later a Japanese force, having bombed and reduced to ruins Dolon Nor, occupied the city. The same day General Feng, supplied with ample funds from Nanking, passed through Peiping on the way to Taianfu in Shantung. For the moment it was assumed that Chiang Kai-shek had thus cleverly eliminated his troublesome Christian colleague by a handsome bribe and that Japan was at the same time being deprived of another pretext for further intervention south of the Great Wall. But it does not seem to have turned out that way.

A few days after General Feng's arrival at Taishan the Nanking Government offered him a new opportunity to meddle by inviting him to choose between three possible positions under the National Government. It is reported that he will become Inspector General of the army. A few days later, on Aug. 28, Lieut. Col. Shibayama, Japanese Military Attaché in Peiping, gave out a statement that Japan, far from content with the present situation in Chahar, will demand a demilitarized strip between it and Jehol. Meanwhile, Japan has been delaying the evacuation of the five major passes through the Great Wall with a view, so it is reported, to forcing the Chinese to enter into a through-traffic agreement for the railway route from Tientsin to Mukden.

Canton, under the astute control of General and Governor Chen Chi-tang, remains nominally attached to the National Government, notwithstanding dissatisfaction over the Tangku truce with Japan. The Southern radicals would like to set up an independent State, but General Chen plays with them up to the point where a definite break with Chiang Kai-shek is required and then swings off. In true Chinese fashion, Chen refuses to pledge support to Chiang and yet refuses also to break with him. Thus he holds himself in a key position and remains, from month to month, a very important person. He has an army variously estimated from 90,000 to 100,000 men, better equipment than is common in the north, and he has also a rich area to plunder.

The Canton and Nanking Governments have even been actively cooperating recently to drive the Communists from Fukien into Kiangsi. The Nineteenth Route Army, which a few weeks ago was reported to be on the march to battle against the Japanese invaders in the North, has been diverted to fight the Communists. Hordes of the latter, attracted by the harvests in Fukien, invaded the latter province early in August, when they forced a portion of the Nineteenth Route Army to evacuate Liengcheng, 120 miles northwest of Amoy. Martial law was declared forthwith in the province and the doughty General Tsai Ting-kai returned to the attack, saved Amoy, and promised to clear the province — a promise which has not yet been fully realized.

THE YELLOW RIVER FLOOD

The Yellow River flood appears to have reached its most acute state in Honan about Aug. 20, after which the crest of the flood swung northeast along the present course of the river into Shantung, where it repeated the havoc wrought in Honan. In a country so vast and so thickly populated, statistics are neither dependable nor very helpful in indicating the damage done. It was reported that 3,000,000 people had been driven from their land in Western Shantung and at least half as many more in Honan. The damage was guessed at about $30,000,000.

CURRENT HISTORY

NOVEMBER 1933

What Hope for the Jobless?

By STUART CHASE

[Mr. Chase is a well-known writer on social and economic questions. Among the books he has published are *The Tragedy of Waste, Men and Machines* and *The New Deal.*]

IN 1929 an era came to an end in America. During that era some millions of jobs had been lost in factories, railroads and mines and on farms, owing to more efficient productive methods, while production itself steadily increased. For most of the millions, but not for all, new jobs were found, after a period of greater or less agony, in the so-called service trades, of which the two greatest divisions are roadside industries and house-to-house canvassing. Net unemployment increased during the new era, but not much.

In 1929 the professors were locked in battle as to whether or not there was such a phenomenon as technological unemployment. Professor Rexford G. Tugwell, among others, said there was, only he called it by a still more ominous name, "occupational obsolescence." Professor Paul Douglas, holding tightly to the hand of Adam Smith, said there was not. The air was thick with scholarly abuse and statistics. No clean-cut decision was arrived at, as is frequently the way with economic problems. Then Wall Street turned a back somersault, and the dispute was forgotten in the obvious and painful phenomenon of cyclical unemployment—jobs lost not to machines but to the downswing of the business cycle — 3,000,000—5,000,000—10,000,000; by March, 1933, 15,000,000 out of work, and millions more on part time.

The Roosevelt administration's various recovery measures are not primarily concerned with technological unemployment. They are emergency devices, intended to secure work for those whom the depression has displaced. This is admirable so far as it goes. It may be worth while, however, at this time, to trace the course of technological unemployment since 1929 and to find out, if possible, how many men will still be out of work if

the recovery drive restores business activity to normal. By now most economists, assisted perhaps by the shouts of the technocrats, have come over to Mr. Tugwell's side. I have reason to believe that even Mr. Douglas himself is sliding out of the camp of the classicists. The problem is almost universally admitted as a pressing one for the future. *How pressing is it right now?*

Two sets of figures have recently impressed me in this connection. *The New York Times* in August published a chart based on Federal Reserve Board figures for physical production and employment in manufacturing establishments from 1919 to June, 1933. These showed that the all-time high for employment was January, 1920; that the all-time high for production was June, 1929; that the all-time high for output per man was June, 1933. Reducing the chart to index numbers, we note the following:

	Employment	Production	Output Per Man
January, 1920	117	96	82
1923-25 average	100	100	100
June, 1929	103	127	123
March, 1933	57	56	98
June, 1933	65	92	142

In June, 1933, output per man was 73 per cent above January, 1920, and 15 per cent above June, 1929. Output per man, however, is not a very significant figure unless we know how many hours the man has worked. Output per man-hour tells a more accurate story, but one for which there are no reliable totals. We know that in 1928 the average hours in manufacturing establishments, according to *Recent Social Trends*, were about 48 per week. In June, 1929, they may have been a little less, as the course through the New Era was downward. The average hours for manufacturing establishments in June, 1933, according to the Department of Labor, were 42.6. While many plants were working ove time, as a result of the Spring spur we know that millions of employ were still on part time and on shar the-work programs. (The effect part-time work is well shown on th above table in the March, 1933, figu for output per man. It was far belo the 1929 figure because so many me were not putting in a full week's wor In June, 1933, output per man jumpe far above 1929; more men were worl ing full time.)

We conclude, then, from the abov index numbers, that output per ma hour rose well over 50 per cent fro January, 1920, to June, 1929, and nea ly 30 per cent higher from June, 192 to June, 1933. The ravages of techn logical unemployment are clearly i dicated by these figures, for produ tion itself did not increase in any suc proportion during the New Era, an has declined during the depression.

What do they tell us about the prol able effect of the recovery drive? The tell us little unless we are prepared t make one basic assumption. If yo hesitate, I will make it. I am going t say that the average physical produ tion for the full year 1934 in manufa turing establishments will not excee the 1923-1925 average, which carrie an index number of 100 in the abov table. This was not a boom period, bu a busy, normal one. It is 19 point below the full year 1929—June wa the year's peak—but 5 points *abo* the full year 1930. Frankly, I see n reason for believing, in the best of ci cumstances, that production in 193 can greatly better that of 1930, parti ularly when the lack of opportunity i the capital goods sector is taken int consideration. If we reach the 192 1925 average we shall be doing well.

Assume that we do reach it. As sume, further, that 40 hours will co stitute the average week in 1934–

most of the NRA codes so far laid down call for a 40-hour week. On the June, 1933, estimate of output per man, 71 per cent of the 1923-1925 working-force could produce the 1923-1925 output. In other words, seventy-one men, working by June, 1933, technical methods, could produce as much as 100 men did in 1923-1925, and do it on a shorter work week.

Before proceeding to estimate the resulting unemployment in 1934, let us, by way of checking the above, examine a second set of recent figures. The second set comes from the September issue of *Facts for Workers,* published by the Labor Bureau, Incorporated. I happen to know that they are reliable figures. These show that from July, 1932, to July, 1933, there was a 77 per cent increase in manufacturing production, a 20 per cent increase in manufacturing employment and a 5 per cent increase in per capita earnings (manufacturing).

The last two figures again bear eloquent testimony to the huge factor of part-time work during the depression. Production increased 77 per cent during the period with only 20 per cent more men. Output per man therefore increased 47 per cent, but this means little until it is placed on an output-per-man-hour basis. As I do not know what the average hours were in July, 1932, I cannot make the computation, but it is extremely probable that output per man hour showed some gain.

The index of manufacturing production in July, 1932, was the same as in March, 1933, that is, 57, where 1923-1925 was 100. A 77 per cent increase would bring it to 101. July marked the end of the speculative Spring spurt, and in that month we were back on the 1923-1925 level of production. Since then we have dropped and the August index was 92. I have taken the level of 100 as being the probable average performance for the year 1934.

The manufacturing working force in July, 1932, was 58 per cent of the working force in 1923-1925. An increase of 20 per cent in that force brings the index up to 70 in July, 1933. In other words, according to the Labor Bureau's data, 70 men in July, 1933, produced as much as 100 men did in 1923-1925. This checks closely with the ratio arrived at from the first set of figures, which was 71 men. The average working week in July, 1933, was 42.5 hours in manufacturing establishments, and the average hours for all industry in July, 1933, were approximately the same as for manufacturing.

I think we are reasonably safe in concluding, therefore, that not more than 71 men, working not more than 43 hours a week, can now produce as much manufactured goods as 100 men, working 50 hours a week, did in the period from 1923 to 1925.

Now we are ready to estimate the probable number of unemployed in 1934. I assume for that year: (1) An output not greater than 1923-1925; (2) a 40-hour work week, and (3) that the whole working population, not including farmers, professional people and small business men—store proprietors, and the like—will follow the same trend here shown for manufacturing workers. We shall thus include with factory workers, the miners, transportation workers, clerks, government employes and others, in brief, all wage and salary workers.

In 1923-1925, there were about 45,000,000 persons classified as gainfully employed. Eliminating farmers, professional people and small business men—a total of 15,000,000—we find that 30,000,000 workers apparently produced the quota of goods and services which we call 100. Operating today on the June-July, 1933, technical

methods, this same quota can be produced by a force 71 per cent as large, working 43 hours a week, or by 21,300,000 workers.

In 1934, the total potential working force has grown to more than 50,000,000 (48,830,000 in the 1930 Census of Occupations). Again deducting farmers, professional people and small business men to a total of 15,000,000, we arrive at a minimum of 35,000,000 persons now ready to go to work in the wage and salary category. But under the 40-hour codes and prevailing standards of efficiency there is work for only 76 per cent of the 1923-1925 force.* Seventy-six per cent of 30,000,000 gives employment to 22,800,000. Deducting 22,800,000 from 35,000,000 gives us an army of unemployed in 1934 of 12,200,000. Actually, this number may be reduced by part-time work in 1934. It is based on 22,800,000 persons all working 40 hours and 12,200,000 not working at all. Share-the-work programs do not affect "equivalent unemployment," but do affect the number of men on the payroll.

The figure 12,200,000 checks roughly with the situation last July. There were upward of 15,000,000 unemployed in March. By the end of July not more than 3,000,000 had been reemployed, leaving at least 12,000,000 unemployed. Production, you recall, was at the 1923-1925 level, the level estimated for 1934. Average hours were not in excess of 43 per week, not much above the indicated full-time average in 1934 under the codes. July thus furnishes a kind of weather vane for the prevailing wind next year.

Many objections can be urged against this analysis on the grounds that the estimate of technological unemployment is either too low or too high. An immediate objection is that code hours will be pared down and that the average work week in 1934 will be less than 40. All right, let us call it 35. On the basis of a 35-hour week 9,000,000 persons will be out of work in 1934. Indeed, to absorb all the 35,000,000 potential workers on the basis of an output not to exceed that of 1923-1925, the average working week must be cut to 26 hours.

Another objection may be that production in 1934 will be greater than in 1923-1925. How much? If it is 10 per cent I shall be inclined to eat my hat. Let us call it 10 per cent. Under 40-hour codes, this demands 10 per cent more workers; 10 per cent of 22,800,000 is 2,800,000. Deducting that number from 12,200,000 still leaves 9,400,000 unemployed.

Another objection may be that manufacturing ratios do not necessarily apply to the rest of the population, particularly clerks and tradespeople. This is a grave objection. I have, however, eliminated farmers. But farmers are subject to technological unemployment. Their output per man has decidedly increased since 1923-1925. Dr. O. E. Baker of the United States Department of Agriculture has calculated a 34 per cent increase in output per farmer in the last three decades, most of it since the war. Farm unemployment, because of technological change, has undoubtedly reduced the total of 15,000,000 farmers, professional people and small business men, which I have used above. It should be included in my tabulation on some basis, but I do not know on what basis. The fact that it has been excluded in its entirety perhaps makes up for possibly greater employment among clerks and tradespeople. Perhaps not. In respect to mining and transportation, I have reason to know

*Seventy-one men working 43 hours produce 100 units. If hours are cut to 40, seventy-six men are required.

that these industries have closely followed the trend in manufacturing. Even in the professions, which have been excluded, technological unemployment takes its toll, as the 10,000 theatre musicians who have lost their jobs to the talkies have painful reason to know. There is also much unemployment among small business men.

Objection may be advanced that the 1934 output will consist of different kinds of commodities and services from those of a decade ago, and that man-hour ratios founded on 1923-25 no longer apply. There is no way of determining the net change, if any. If it has occurred, the purely mathematical deductions made above will stand in need of modification—up or down.

A last objection, from the "too large" standpoint, is that the performance noted for the two months of June and July, 1933, does not furnish a long enough period from which one can draw accurate conclusions as to operating efficiency. This again is a grave objection. Perhaps when we get into our stride in 1934, we shall not show as high an output per man-hour as was disclosed in the production boomlet of the Summer of 1933. Statisticians have noted that in a brisk upswing of production, employment tends to lag, only to climb later when production has already begun to taper off. There is some evidence of this in the August, 1933, figures. In so far as the period covered is too brief, the conclusions arrived at may be in error. The adjustment, however, should not be great, when the figures for the longer period are compiled.

The above objections are based on the fear that the figure for unemployment is too high. There is a very serious objection from the other side, namely, that the figure is too low. When the A. O. Smith Corporation in Milwaukee doubled its capacity for making motor-car frames, it took advantage of up-to-the-minute methods and introduced an automatic frame mill. This mill could make 10,000 frames a day, like the old assembly line shop beside it. But instead of requiring 2,000 men at capacity, only 200 were needed. Production was doubled, with only 10 per cent more workers in the plant. This case shows dramatically what is happening throughout industry, though not often in such an extreme form.

Electrical energy is supplanting man-power. If a dictator ordered American production doubled next year, I suspect that it could be done with not over 50 per cent more workers. All calculations in which production varies with man-power, such as I have made above, are suspect, because, under modern conditions, production *does not vary with man-power;* it increases faster than man-power. Assuming, as I have, a generally higher level of production in 1934 than has obtained for the last three years, it does not follow that employment will rise in the same ratio that production rises. There will be a lag. If it is a large lag—and it may well be—the 12,200,000 estimate of unemployment is too low. My calculations are static ones; so many men can produce so much. But we actually live in a dynamic world; given new drafts of energy, so many men can produce twice as much.

With due deference to these objections, I am inclined to believe that, short of a huge boom in production, as the result perhaps of deliberately stimulated purchasing power; short of the sudden appearance of the most colossal inefficiency on the part of American management, or of a new set of

codes calling for not more than 30 hours of work in a week, the year 1934 will see from 9,000,000 to 12,000,000 still jobless. Far from increased inefficiency, furthermore, I look to see steadily increasing efficiency, particularly in the form of labor-saving devices in both the industrial and clerical fields.

Let us examine in somewhat more detail what has been happening to output per man-hour during the depression. Perhaps the most careful study of technological unemployment available is that of David Weintraub.* It covers the period 1920-1931. In manufacturing industries a given output was produced by 100 men in 1920, 68.2 men in 1929, 62.6 men in 1931. Output per man-hour increased 8.6 per cent in 1931 over 1929, showing the growth of efficiency in the first two years of the depression. Mr. Weintraub lays down two important conclusions: (1) Output per man-hour tends to increase in depression periods; (2) given a constantly rising output per man-hour, an increase in physical volume is accompanied by a less than proportionate increase in the volume of employment. A decline in physical volume results in a more than proportionate shrinkage in employment. The tendencies found in manufacturing were also observed by Mr. Weintraub in Class I railroads and in the coal industry.

David C. Coyle, industrial engineer, observed in 1932: "Manufacturing methods have improved during the present depression to such a point that many hundreds of thousands of workers who lost their jobs because of the depression have now been permanently displaced. * * * No conceivable expansion of demand can overcome the accelerated rate at which manufacturing is dispensing with human labor. Machine manufacturing is rapidly tending to become the specialized province of a very limited number of highly trained and experienced operatives. The rest of the population is going to be forced to obtain its income by other occupations than those which our ancestors defined as 'productive.'"

*"The Displacement of Workers Through Increases in Efficiency and Their Absorption by Industry." *Journal of the American Statistical Association*, December, 1932.

Reporting to the Society of Industrial Engineers in the Spring of 1933, Walter N. Polakov and his committee said: "Since 1929 * * * as the bulk of production was decreased, so was decreased the use of power, equipment and wages, *but the application of labor-saving equipment and method continued.*"

The United States Department of Labor, in the *Monthly Labor Review* for December, 1932, released a careful study of technological changes in the rubber-tire industry. The following table is significant:

Output Per Man-Hour (Index Numbers)

	Tires	Pounds
1914	100	100
1922	279	251
1924	328	282
1926	366	366
1928	417	466
1929	429	506
1930	455	581
1931	547	681

The increase in pounds per man-hour in 1931 over 1930 was 100 points, the largest of any year on record. The first year of the depression also registered a very great increase. "The decrease in total man-hours required per unit in 1931 was due almost exclusively to the technological changes which occurred." Yet during the whole period since 1914 there has been only one major technical improvement in the tire industry—the substitution of

the flat-drum process for the core process. A host of minor improvements, small changes, time study projects, have resulted in these staggering increases in output per man-hour. "Unless there is an unforeseen and enormous increase in the total demand for tires, or unless definite steps are taken to increase the volume of employment by shortening the hours of work, there is bound to be further reduction in the total requirements of labor, and therefore further unemployment in the tire industry."

Tires may be an outstanding exhibit but they show the unmistakable trend. The NRA has so far taken no drastic stand, to my knowledge, on the matter of scientific management and labor-saving machinery, although a few of the codes carry some elementary provisions. Will not the program as a whole tend to accelerate labor-saving methods? F. A. Westbrook in his book, *Industrial Management,* says: "At the present time there is talk of modifying the anti-trust laws so that these same trade associations can allocate the amount of available business between each of its members, which is a step in the direction of rationalization. Scientific management then becomes of first importance to each individual producer, for the amount of profit he can make out of his pro-rata share will depend entirely on how economically he can operate."

This opens an interesting vista. With sales more or less on a quota basis, as they will tend to be when competition within industries decreases, much of the effort heretofore lavished on selling will be switched to cutting costs. Instead of trying to take business away from the other fellow, executives will—indeed must—concentrate on operating more efficiently. Here is where profits will lie. "Operating more efficiently" is another name for operating with fewer men.

The New York Times on Sept. 10, 1933, printed a column story which began: "Following what is reported to be a successful fight against the NRA attitude that plant improvements looking toward elimination of waste [another phrase meaning fewer men] and the speeding up of production are not in line with the recovery program, management engineers are now preparing to handle a large volume of business under the new industrial conditions, according to leading executives in the field."

Two days later, on Sept. 12, the *New York Herald Tribune* reported: "Stocks of business machine companies joined in a forward move on the Stock Exchange yesterday following reports of increased sales. * * * The operation of the NRA with shorter weeks ordered for the white-collar forces has proved a boon to these companies, as executives have been on the lookout for ways to handle the same amount of bookkeeping without added expense."

Furthermore, *The New York Times,* on Sept. 25, 1933, under the head, "Machine Producers Report Sharp Gains," said: "The largest call for new equipment comes from textile mills which are seeking high-speed machinery to replace the obsolete looms they find too expensive to operate under present high-production costs. Producers of men's and women's garments are also investing freely in machinery, buying chiefly high-speed sewing machines capable of producing more goods in the limited working time allowed under the recovery codes."

Flannel collars and white collars are thus washed up together.

The technological process is perhaps the strongest force in the modern

world. It threatens nations, constitutions, legal systems, property concepts, cherished beliefs and traditions, as well as jobs. No recovery programs, however sincere, can stand against it. It marches, and its rate of march, according to Dr. William F. Ogburn, tends to accelerate geometrically. It must be worked *with*, not against. Cost reduction, efficiency, labor-saving devices, scientific management will not be gainsaid. There is no sinister intention in the quotations just given; they only record the inevitable.

Unless we go completely smash, the same output in the years before us is going to be produced by fewer and fewer man-hours. Such is the handwriting on the wall. If technological unemployment is not to grow to monstrous proportions, the men must be kept on at shorter and shorter hours, and must be given the wages, or purchasing power, to take the product off the market.

While nobody doubts the advance of technological unemployment in the basic industries, much is made of the absorptive power of the "service" trades—salesmen, brokers' and bankers' clerks, insurance agents, roadside trades, the professions, government employes, nursing, amusement trades and the like. These services, as a matter of fact, did absorb the bulk of those displaced from manufacturing, mining and transportation during the New Era. Why should they not continue the good work? There are two reasons. The first is that many of these occupations are getting waterlogged; overproduction is as manifest as in the case of wheat. For example, a recent survey showed more students in schools of journalism than there were actual reporters in the country. Many of the professions have reached a saturation point, if not from the long-swing Utopian view, at least from the market view of the next few years.

The second reason is that the service trades are shot through with forms of economic waste, and hence are very unstable. We must have shoemakers, but we can struggle along without house-to-house canvassers. At least we can and do refuse to buy from them in a depression. As Archibald MacLeish says, "it is only the present misfit distribution system which makes it necessary for one man to take to the road selling insurance while nine men left in the factory go on working ten hours a day. The 'services' from this point of view are merely a buffer margin to enable the present system to frustrate its own genius in the interest of its creditors, and the benefits from swelling the services are temporary at best."

The Recovery Administration has made a courageous beginning. It will be useless, however, to fight technological advance. Rather the fight must concentrate on hours of labor a good deal shorter than those the NRA codes call for and, even more important, on a relatively rising stream of purchasing power, which does not trail, but leads a rise in prices. In this manner, and, I suspect, only in this manner, can the 9,000,000 to 12,000,000 unemployed indicated for 1934 be given jobs, and the inevitable technological process worked with, not combated.

The Dearth of British Leadership

By WICKHAM STEED

[Mr. Steed was formerly editor of the London *Times*, and later edited the English *Review of Reviews*. He has written many books, among the more recent being *The Real Stanley Baldwin.*]

AT no time in the past forty years have the British people been so leaderless as they are today. If the King and the Prince of Wales be left out of account—and both of them have given real leadership in more than one emergency—there is no man in British public life to whom the nation instinctively looks as to a leader, or whose guidance it would seek and follow as being inspired by a sense of resolute wardenship of the public weal. The last of our Elder Statesmen, Lord Grey of Fallodon, has been taken from us. There is none to fill his place or to speak with his especial accent of temperate and persuasive authority. Yet never in my experience have the people as a whole been sounder at heart or readier to heed and to act upon strong and wise counsel.

Of potential leaders, or of men who hold themselves such, there is no lack. Foremost among them is Ramsay MacDonald, Prime Minister of the National Government, who may be unaware how subtly and swiftly public trust in him has ebbed during the past twelvemonth. The difficulty of replacing him without a political upheaval alone explains his continued tenure of office, an office to which he clings and which he would stubbornly defend were he conscious of any immediate menace to it. But allegiance to him has worn thin. It is now a makeshift allegiance, no longer the confident loyalty that found expression in the Autumn of 1931. There is Stanley Baldwin, head of the Conservative party, who still wields more power over its members than any other Conservative, yet whose passion for self-effacement and appearence of political indolence estrange and dishearten the younger Conservative folk.

There is Neville Chamberlain, Chancellor of the Exchequer, to whom the Conservative leadership might revert were Mr. Baldwin to withdraw or to be ousted from it. An honest, upright, plain-thinking and hard-working man, Mr. Chamberlain nevertheless commands more respect than enthusiasm, and he is a name, rather than a personality, to the nation at large. Major Walter Elliot, the young Scotsman who is now Secretary of State for Agriculture and Fisheries, is thought by many to be a, if not the, "coming man." He is able, not devoid of ambition, and possesses a magnetism which many of his older colleagues lack. Nothing he has said or done has, however, stamped the hallmark of greatness upon him.

Winston Churchill, who time and again has come within a hair's breadth of authentic greatness, has of late gained more esteem as a writer than as a leader in political thought and deed. He may have a future. Rash indeed would it be to declare that his future lies behind him. None can be indifferent to him. He is sure of a hearing when he speaks, no less than when he writes. But public confidence in any large measure he no longer

commands. He is too "diehard," too ebulliently erratic. Most people think, if they do not always say, that there is too much "Winston Churchill" about him.

To none of the more prominent Liberals, with the possible exception of Lloyd George, does the country look for real, nation-wide leadership. Sir Herbert Samuel and Sir Archibald Sinclair are highly respected. Neither of them, nor Walter Runciman, seems to have the divine spark that sets imaginations aflame and makes hearts beat higher. In popular fancy they are first-rate second-rate men, a trifle chilly withal and incapable of either the grand manner or the grand thoughts that stir a people to the marrow of its bones.

Of Lloyd George it will not be safe to say that he is out of the picture while life lasts. Could a plebiscite be taken to choose a national leader he might not poll more than 10 per cent of the vote. Yet millions say to themselves: "He pulled us through the war and, if we were ever in a really tight place again, he might pull us through once more." In the present year I have seen him—a lone figure—electrify and hold the House of Commons with a speech on unemployment as he held and electrified it in the war years. Nine-tenths of his fellow-members were and are his political opponents. Half of them think, and perhaps hope, that "L. G. is done for." Most of them were thoroughly ashamed of themselves for having been "carried away" by his speech, and I got myself into sore trouble for saying on the radio that they had been carried away. No British writer criticized and opposed Lloyd George more consistently than I in the early post-war years when he ceased to be a great leader and became a political tactician; but I, for one, shall not rule out Lloyd George as an incalculable, though possibly decisive, force in British public life until he has sung his *Nunc dimittis*.

There remains one man of whom much is being said and whispered. He is Sir Austen Chamberlain, Neville's half-brother. He was Conservative Foreign Secretary from 1924 to 1929. When his health gave way in 1928 and, still more, after he was omitted from the National Government in 1931, many looked upon him as a back number and talked of Neville as future Prime Minister. Unlike Winston Churchill, who has never seemed able to forgive or forget his exclusion from the National Government, Sir Austen Chamberlain has borne himself with much dignity, has supported the government in difficult moments, but has not withheld friendly counsel and criticism when the national interest made passive acquiescence in Ministerial policy seem something less than a statesman's duty. Little by little he has gained the ear of the present House of Commons in a way that no Minister has gained it. His influence, already considerable, was greatly enhanced by his outspoken, almost impassioned, speeches upon the dangers of Hitlerism, the persecution of the Jews in Germany and upon secret German rearmament. Even on questions of social reform there have been a warmth and a vigor in his tone that made people ask whether the mantle of Joseph his father had not descended upon him. Among British public men of front-bench rank Sir Austen is now the only Conservative who might acceptably succeed Ramsay MacDonald as national Prime Minister without arousing suspicion that a national majority was being used for party purposes.

Of Labor politicians I have said

nothing because none of them seems to have the stuff of leadership in him, nor is the country yet in a mood to tolerate another Labor experiment.

For similar reasons the antics of Sir Oswald Mosley and his handful of "Black Shirts" may be passed over. The advent of Hitlerism in Germany has cooled the ardor even of light-headed youths for "shirtiness," black or brown, and nobody now exclaims that "England needs a Mussolini." Mussolinism has lost caste. The glamour with which irresponsible newspaper millionaires, like Lords Rothermere and Beaverbrook, sought to surround the Duce's name has been dispelled. Distinctions are still drawn between Italian fascism and German Hitlerism, partly because memories are short and partly because those who thought it quite excellent that Italians should be disciplined by a touch of the Fascist whip now think it altogether unbecoming, and a trifle disturbing, that the Germans—who, after all, are not unlike the British in many ways—should be deprived of political and individual freedom and should display, in the words of Sir Austen Chamberlain, "the worst of the old Prussian imperialism, with an added savagery, a racial pride, an exclusiveness which cannot allow to any fellow-citizen not of 'pure Nordic birth' equality of rights and citizenship within the nation to which he belongs." If the excesses of Hitlerism are not positively laid to Mussolini's charge, there is an uncomfortable feeling that he set a fashion in the curtailment of personal and political liberties.

So strong is this feeling that the General Council of the Trades Union Congress—the same T. U. C. which brought disaster upon the Labor party in August, 1931, by dictating to the Labor government conduct at variance with the interests of the country—came out not long ago with a vigorous manifesto against dictatorships in general and in favor of preserving British civic liberties in particular. Though this manifesto was welcomed on all hands as a sign of liberal grace in quarters that have in the past appeared to harbor semi-Bolshevist ideas, the Trades Union Council and the Labor party as a whole have still a long way to go before they can recover the standing they enjoyed before August, 1931. There is no sign as yet that the masses of the electorate are looking to Labor men for resolute leadership or constructive wisdom.

The country, for its part, is looking for both. Where leadership and constructive wisdom are to come from it does not quite know. If the recent improvement in British trade and economic conditions should continue, the country may be content to wait awhile. In the meantime it will go on weighing quietly in the balance of its inarticulate judgment the men who now hold office. It has already weighed Ramsay MacDonald and found him wanting. About Stanley Baldwin it is not quite sure.

There is no mystery—as some romantic busybodies have suggested there might be—about the parentage of Ramsay MacDonald. The facts are well known to those whom they immediately concern and require no elucidation. His father was a laborer, named MacDonald, and therefore a humble member of the MacDonald clan. Stanley Baldwin's maternal grandfather was also a MacDonald, a famous Wesleyan preacher; and through his mother Mr. Baldwin can claim kinship to the MacDonald clan. English to the core though he seems, the Highland Scottish strain in him is strong. His maternal ancestors were "out" with Prince Charlie in

1745 and suffered exile for their Stuart loyalty. In one of his first Parliamentary speeches Mr. Baldwin said: "I remember that in my early days it was with very great difficulty that one could stand up while the band was playing 'God Save the King' because we had a Hanoverian King and not a Jacobite King."

Whether Ramsay MacDonald was ever troubled by historic inhibitions of this sort does not appear from the records of his life. He became a Socialist as a young man, and by 1900 he was Secretary of the Labor party. Mr. Baldwin, on the contrary, went to Harrow and Cambridge, entered his father's iron-founding business soon after graduating and succeeded his father as Conservative member of Parliament for West Worcestershire in 1908.

In the pre-war House of Commons Mr. Baldwin was never conspicuous, save for his silence; and it is a fact that the late Mr. Bonar Law only chose him to be his Parliamentary Private Secretary—on the recommendation of a young Aberdonian Scot, J. C. C. Davidson—because Baldwin seemed discreet enough to be "safe" and "stupid" enough not to intrigue. This was in 1916. Next year, when it was a question of making Baldwin—again on Davidson's recommendation—Financial Secretary to the Treasury with Ministerial rank, Bonar Law demurred. He doubted whether Baldwin "carried enough guns" for the job. Nevertheless, he yielded; and it was in the position of Financial Secretary to the Treasury that Baldwin took, unwittingly, his first step toward leadership when, on June 23, 1919, a few weeks before the Peace Treaty was signed, he sent to the editor of *The Times* a letter signed "F. S. T."

In this letter Baldwin drew attention to the gravity of the financial position created by war extravagance. He felt that the people did not realize they were living in a fool's paradise, and urged that "a fool's paradise is only the anteroom to a fool's hell." He thought that by example alone could the nation be taught that love of country is better than love of money. He thought, too, that the wealthy classes should seize an opportunity for service which could never recur. Therefore he proposed that the wealthy should make a voluntary capital levy upon themselves for the extinction of public debt. In this way, he argued, the burdens of the Exchequer might be relieved by £50,000,000 a year. Having made an estimate of his own fortune, which was about £580,-000, he decided to realize 20 per cent of it or, say, £120,000, with which to buy £150,000 of War Loan and to present it to the government for cancellation.

This action was typical of the man. Baldwin believed in the force of example—anonymous, self-effacing example. For some years only I and very few others knew who "F. S. T." was. But in his idealism he overestimated both the force of his example and the public spirit of the wealthier classes, especially of those whom the war had enriched. This propensity to act upon personal conviction and to misjudge results is equally a characteristic of him. (His critics often attribute to it—unjustly—his settlement of the British war debt to the United States.) Instead of the £1,000,000,000 which Mr. Baldwin hoped would be offered to the Treasury for cancellation, only £500,000 came in; and in the business slump of the middle Twenties Mr. Baldwin found himself financially cramped. In 1929 he could say truthfully that for every pound he had possessed when he became Prime Minister in 1923,

only a shilling—or one-twentieth—remained when he left office.

If Stanley Baldwin had not been born a Conservative he might have been an exemplary Liberal with a sentimental liking for sundry aspects of socialism. If Ramsay MacDonald had not been born poor he might have become a high Tory with romantic leanings toward a traditional and aristocratic view of life. These tendencies in the two men, meeting midway, with Highland blood as a bond of sympathy, engendered firm friendship between them. Long before the first national government was formed in August, 1931, it was said that Baldwin would be happy to serve in a MacDonald Cabinet and that MacDonald would be much happier in a Baldwin Cabinet than he was as Labor Prime Minister. Yet there is strong reason to think that the impetus which drove both of them to join, with the Liberal leader, Sir Herbert Samuel, in forming the National Government came neither from MacDonald nor from Baldwin. It came from the King.

With the backing of practically the whole country the first National Government did its job. Those who imagined that the electorate would turn against it at the ensuing general election because it had made drastic economies, had reduced official salaries and had curtailed the "dole," knew nothing of the British temper. The obvious reflection of the people was that if political leaders had done these things, they could not have done them for the sake of popularity. Therefore, these things were necessary. If they were necessary, the government ought to be supported for having done them. This sort of reflection, and a desire to teach the irresponsible, dictatorial T. U. C. and its Labor puppets a much-needed lesson, accounted for the overwhelming victory of the National Government in the general election two years ago.

When the worst of the crisis was over leadership sagged. Wicked tongues said that, as Conservative Prime Minister from 1924 to 1929, Baldwin by his irresolution and passivity had ended by becoming a zero in his own Cabinet; that in the following Labor administration MacDonald's wordiness and temperamental dislike of clear thought and firm action had made him little better than a zero in the Labor Cabinet; that two zeros in a National Cabinet did not amount to one unit; and that, in the absence of a unit to put before them, the MacDonald-Baldwin combination could not give 100 per cent of leadership.

There was enough truth in this gibe to make it sting. MacDonald's trust in words, in "personal interventions" when things are tangled, in ill-prepared international conferences and in any other substitute for clear-sighted adherence to principle, have already cost him most, if not all, of the prestige he enjoyed and the confidence he inspired two years ago. Mr. Baldwin's almost unconquerable dislike of self-assertion, his belief that when he has put his honest thoughts and noble feelings into a finely phrased speech he has really done something, and his stubborn resistance to all who would urge him forward, have resulted in making not a few of his own followers wonder whether their loyalty to him ought to come before public interests.

For some reason or other the National Government has signally failed to give the larger leadership that was expected of it. Its protectionist measures have, indeed, received wide assent and have undoubtedly helped to improve the economic position. Neville Chamberlain's management of finance has been sound and has made him

trusted as Chancellor of the Exchequer. But nothing has conveyed the impression that the Ministers, as a body, or even an active minority among them, know whither they are going or view the future with constructive imagination.

It would not be just to lay all the blame for the inconclusiveness of British foreign policy at the door of Sir John Simon, the Foreign Secretary. He is an able lawyer who, as one of his critics in the House of Lords put it, is second to none when pleading to a brief. Without a brief he is lost. It should have been the business of the Prime Minister, of Mr. Baldwin and of the Cabinet to give him a brief. They have not done so. Neither in the Manchurian dispute, nor in the handling of the Lytton Report, nor at the Disarmament Conference, nor in the series of higgledy-piggledy improvizations that led to the Four-Power Pact, nor in the presence of German Hitlerism, has the government or any member of it spoken with a voice which the nation could recognize as its own. A policy of drift, of hand-to-mouth expedients, of waiting upon events only to be surprised by them when they occur and of unreadiness to take time by the forelock has appeared to be the sum total of Ministerial foresight and vigor. Dimly but dourly the nation begins to feel that this is not enough.

Hence its present groping for leadership. The mere withdrawal or removal of Ramsay MacDonald would not satisfy it, for it is uncertain whether Stanley Baldwin is fit and able to lead; and public feeling would be unlikely long to tolerate the conversion of a National majority in Parliament, even though the bulk of this majority be formed by the Conservative party, into an instrument of merely party government. A dissolution and a general election would be inevitable. From the Conservative point of view a dissolution might be the best course, since the Conservatives might hope to return with a majority sufficient to enable them to carry on for some years. Should they force the issue they would, however, be running risks. The nation has not lost its faith in national, as distinguished from party, government; and an obvious attempt to exploit the situation for party purposes would be likely to awaken resentment against those who should be guilty of it. Were a strong Liberal leader in sight he might gather such forces round him as to render him the true exponent of present national feeling. As yet there is no such leader.

So things may drift for a space that will be shorter or longer as circumstances determine. No soothsayer can tell what the future, near or more remote, will bring forth. One thing only is certain—unless the National Government is to slide into discredit, as the Conservative party did in 1929, after five years of undisputed control of public affairs, and to court a revulsion of feeling as strong as that which put Labor back into office in the general election of that year, it must bethink and bestir itself and give the country a quality of leadership far more dynamic than it has hitherto supplied.

The Little Man's Fate in Germany

By LUDWIG LORE

[Formerly editor of the *New Yorker Volkszeitung*, Mr. Lore is now a writer on German affairs.]

MARCHING has never been a strong point with the little man in Germany, and much as he loves a parade he himself wants to return to his place behind the stove, put on his slippers and forget that there was such a thing as a national revolution. Nothing is further from his desires than a permanent state of unrest and disturbance. He wants quiet and order. The sentimental strains of a folksong are more to his taste than the truculent Horst Wessel song. He accepted it all because he hoped that it would lead to better things.

Is it all to have been in vain? Are the golden apples of business revival for the middle class to be snatched from his eager grasp? Is his outstretched hand to find emptiness where it hoped for rich reward? The great triumphal march into the promised land has been brought to a sudden, sickening halt. The leader and his cohorts are blocking the way. The national revolution is over! Over, when he believed it had just begun.

The middle class, that politically undirected element which vacillates between bourgeoisie and proletariat, placed Hitler and his lieutenants in power. Despite Germany's high degree of industrial development, the shopkeeper, the small merchant and the craftsman, the salesman and the mechanic who dream of a shop or a business of their own, the white-collar worker, the farmhand and the small farmer—the middle class—have always been numerically strong enough to be a real factor in the political life of the nation. But divided as this class was into a large number of small and uninfluential parties on religious, local and other issues, it never attained the authority of the Junkers or the strength of the proletariat. Today, its resources depleted by the criminal inflation of the early Twenties, ground between big business and the decreased buying power of the impoverished masses, it has buried the differences of the past in the despairing hope that national socialism with its philosophy of social retrogession would restore the world that was. But for the intolerable oppressiveness of the postwar and depression periods, not even Adolf Hitler's persuasive demagogy could have overcome the little man's essential individualism.

"We demand," so reads the National Socialist program, "the creation of a healthy middle class and its preservation, the immediate socialization of the large department stores and the renting of their facilities at minimum rates to small merchants, and preferential treatment to small tradesmen and merchants in the awarding of national, State and municipal contracts." With Hitler's rise to power, the middle class demanded immediate action on department, chain and one-price stores and on cooperative enterprises.

But the Nazi leaders were too intensely occupied with the consolidation of their political position to desire to increase their difficulties by

fundamental economic changes. The anti-Jewish boycott furnished a temporary outlet for the whipped-up passions of the small bourgeoisie. It also centred the patronage of the buying public on the Aryan business man and opened up to unemployed Nazis a number of well-paid office and executive positions hitherto filled by Jews. There were tentative moves to curb big business in the retail trade. Five and ten cent stores in the big cities were closed for a few days "for their protection," and the "erection, extension or moving" of one-price stores was forbidden. On May 14 this decree was extended to new establishments of every description, forbidding "the opening up of new establishments for the retail selling of goods of any kind up to Nov. 31, 1933," and the "extension, incorporation or transference" of such enterprises.

It is impossible to determine to what extent the National Socialist movement gained adherents by its promise to suppress the large mercantile enterprises. Certainly there were countless small shopkeepers who believed that the *Fuehrer* would lead them to a millennium in which, the low-price competition of the retail merchant prince having been once and for all removed, every purchaser would be forced to buy from small business men at high prices. But, contrary to expectation, the large enterprises suffered little under the new dispensation. There was a general withdrawal of Jews from the directorates of these concerns in favor of Aryan investors too influential to be attacked with impunity. The great Berlin department store of Wertheim, the Tietz chain, with its branches in not less than seventy cities, and many others continue to pay dividends to their Jewish owners, but are managed by well paid National Socialist dummy directors.

At first these firms were forced to make slight concessions to the retail trader. They were forbidden to sell foodstuffs or to render personal services. The prohibition of premiums and prizes distributed to stimulate trade, while ostensibly directed against the large concerns, affected the small tradesman to a much greater degree.

The disappointed retailers refused to accept this thistle from the tree of national socialism in place of the help they had been promised. They took matters into their own hands. Newly appointed commissars, floundering helplessly between propaganda and official dictates, were often persuaded to use chicanery and sabotage against the large retail houses.

These commissars presented a new factor in Germany's business world. They grew out of the ground like mushrooms after a Summer rain. Newspapers, publishing houses, labor unions, craft organizations and business establishments, both large and small, were "coordinated," and placed under commissars, equipped with extraordinary powers. A veritable army of adventurers, they had for their slogan, "Money is no object." An impressive front, expensively furnished offices, automobiles for their personal use and large, luxurious apartments, these were a commissar's perquisites. There was, for instance, the Mosse publishing house, one of the first to be coordinated under Nazi control. It was placed under the supervision of a commissar who began by awarding himself a salary of 60,000 marks annually, half of which was ordered paid in advance.

This system of commissars rapidly degenerated into a racket. An enterprising Storm Trooper put his National Socialist card in his pocket, his swastika emblem in his buttonhole

and presented himself at the office of a prosperous business as its commissar. Thousands of such officials were never authorized by the authorities. The proprietor or manager might telephone to headquarters, of course, but he seldom did; he had read too much about concentration camps to risk the displeasure of the new rulers.

The scandal became too great to be ignored. On July 8 Herr Hess, appointed by Hitler as his representative at the head of the National Socialist German Labor party, warned the party membership of "unauthorized action against department stores and similar concerns." On Aug. 2 Dr. Hilland, administrative commissioner for the "Fighting League for the Commercial Middle Class," an organization founded by Hitler himself a year before he became Chancellor, addressed a meeting of the retail trade interests of Duesseldorf on the "Realizable and Unrealizable Wishes of the Middle Class" and assured his hearers, in the name of the Chancellor, that the elimination of department stores would be attended by insurmountable difficulties. They could be closed, he stated, only if the small retail trade could meet all possible requirements of the consuming public, guarantee work for all department store employes, reimburse banks and wholesalers for losses due to putting the department stores out of business and provide manufacturers producing for these large houses with a commensurate amount of business. It is not necessary to dwell on the manifest impossibility of these proposals.

The government drew the obvious conclusion. Two weeks later it openly went to the assistance of the Tietz firm by putting an end to the boycott against it, allegedly to keep some 10,000 men and women at work and to protect its banker creditors, although it was asserted that the attitude of the party toward these concerns remained unchanged. The Akzeptbank, largely owned and controlled by the Reich, was given control of the enterprise and its former owners were told to retire from the management. Rudolf Karstadt, another well-known department store, heavily financed by American investors, has just concluded arrangements with its creditors, and Woolworth, too, seems to maintain a reasonable stability although its stores were opened in Germany only a few years ago. Taxes with which, it was first announced, these firms were to be legislated out of business, proved far from onerous. Indeed, Prussia, the State in which the department store in Germany is most highly developed, has refused to levy such a tax.

The small trader is beginning to feel that he has followed a chimera. Hitler was probably forced against his will to do the bidding of the financiers who control Germany's economy, but this fact does not greatly modify the conviction of the little man that he has been badly taken in by those whom he has so extravagantly admired and so blindly trusted.

In this connection the rôle of the Workers Cooperatives deserves mention. This organization, created by Socialists and trade unionists, has more than 50,000 retail outlets in all parts of Germany. It has deprived the small dealer of more patronage than all the one-price, department and chain stores put together. In 1932, despite the depression, it had a turnover of more than $425,000,000. It controlled more than 5 per cent of the country's retail trade and worked with an overhead of 17.1 per cent as against the average retailer's 24.2 per cent.

When the cooperatives were confiscated, Dr. Ley, Chief of the Na-

tional Labor Board, known as the Arbeiterfront, promised that they would be coordinated pending gradual liquidation and that ways and means would be found to safeguard the interests of the small trader. But, after a brief period of indecision, they were reopened and Dr. Ley instructed the members of the National Socialist party to refrain from all interference in the conduct of their business, since they are "indispensable and worthy of national support." The authorities had discovered that the removal of Socialist and Communist managers and employes offered thousands of openings for deserving Storm Troopers and other Nazis and acted accordingly. If these "coordinated" establishments disappear, it will be against the will of the National Socialist leaders, but not because they will have tried to safeguard the interests of the middle class by their elimination.

The National Socialist dictators have failed similarly to fulfill their promises in dealing with farmers' troubles. The German peasant wants, more than anything else, land for himself and his children. The Nazi program had promised reform in this direction at the expense of the Junker land owners - "a system of land reform in accord with our national requirements; the passage of a law which shall provide for the expropriation without compensation of land for socially useful purposes, for the abolition of ground rent and for the prohibition of speculation in land values." At this writing, however, only Prussia has made any attempt at land reform by a law enacted on June 1 regulating the inheritance of land in a manner that probably indicates how Fascist Germany will solve the problems of the impoverished peasant class. The purpose of the law is "to protect farm units from division and to keep them as a family heritage in the hands of a free farming population. It further proposes a sane and healthful division of the large landed estates." This law is actually a reversion to the pre-capitalist period and resembles the system in most of Europe's backward farming communities. The estate is entailed to the eldest son; the remaining children are endowed with a small appanage. Only in one respect does the law curtail the rights of the landholding aristocracy; namely, by providing that no estate may exceed in size the territory that can be cultivated from one central point, a provision so elastic that it may mean all things to all men.

The "expropriation without compensation" clause in the Nazi program has no place in the Prussian law, so that its real effect will be to enable the debt-ridden landholder to sell his superfluous and burdensome acres to the government at an acceptable price. The unemployed worker who goes as a colonist into these outlying regions and the farmer's son who is given a chance to acquire a bit of land will be able to get it from the State under liberal conditions. But they will begin their farm careers under a burden of indebtedness which they cannot hope ever to pay.

Under Hugenberg as Minister of Agriculture, measures were taken to increase the prices of important agricultural products. Import regulations and prohibitive tariffs raised the price of fats and oils 36 per cent, and of butter 45 per cent. A special tax on margarine, which the German household uses largely in place of butter, increased the price by 49 per cent. The government tried to lower these exorbitant food prices by calling attention to the need of adjusting costs to the buying power, and by explain-

ing that the stoppage of imports should help the farmer by extending his market, and that he should improve his condition by increasing not the price but the quantity of his output. No dictatorial measures for price reduction were attempted, and matters went from bad to worse. The small farmer was aided little, if at all, by Hugenberg's program, which, though it was vigorously opposed by Nazi propagandists in the farm regions and finally forced the Nationalist leader's resignation from the Ministry, had the full approval of the Hitler Cabinet.

The last industrial census in Germany (1925) showed that more than 3,000,000 of the country's 5,000,000 farmers own between one and five acres of land. Live stock sufficient for the production and sale of butter and lard on farms so small is out of the question. For the large land-owner the price inflation meant enormous profits at the expense of the consumer. Not so long ago the propagandist Hitler had demanded the liberation of the farmer from "interest servitude" as the "essential of the National Socialist program." The term "interest servitude" still figures in Nazi demagogics, but Nazi practice has relegated it to the limbo of campaign slogans. Interest on mortgages is held at a level with the Reichsbank discount rates instead of being reduced to 3 per cent or less originally promised by the Nazis.

What wonder, then, that middle class dissatisfaction with the Nazi régime is growing apace? In Koenigsberg, East Prussia, in Kuestrow and in Mecklenburg, well-attended farmers' conventions have adopted resolutions criticizing the wide gap between agrarian theory and government practice under the Hitler administration. The Fighting League for the Commercial Middle Class, after much hesitation, called upon its subsidiary organizations to take matters into their own hands—a bit of radicalism that was promptly nipped in the bud by a decree issued by the Reich Commissioner for the League which declared that "local branches of the League are strictly enjoined from taking unauthorized action, under strict penalty of the law." Shortly afterward the League was dissolved by the Chancellor for its subversive propaganda.

During June, July and August arrests of Storm Troopers were reported with increasing frequency. By July 4 resentment and opposition had reached a point where official action became imperative. Speaking at a convention of Storm Troop leaders Hitler declared: "I will crush brutally and ruthlessly every attempt to overthrow the present order. * * * I will turn equally ruthlessly against the so-called second revolution because that can have only chaotic consequences." But these threats did not quiet the radicals among the Nazi supporters. Kerrl, Minister of Justice of Prussia, promised the death penalty for Nazis who should illegally arrest business men or in other ways seriously damage the economic system. Chief of Staff Roehm of the Storm Troops said to a gathering of 100,000 men of his Berlin and Brandenburg regiments: "If there are those among you who are dissatisfied with conditions as they find them, let them have faith in the words of our leader. You who cannot feel this faith will be expelled from our ranks."

A Schutzstapf command guarding a concentration camp in which over 1,000 Storm Troopers were interned, had to be withdrawn because it was feared that conditions in this camp, in which thirteen Storm Troopers had been shot, had undermined their use-

fulness. Entire Storm Troop companies have had to be dissolved. In Hamburg alone 12,000 Storm Troopers are said to have been disbanded.

Whole sections of the National Socialist party, too, have been disbanded. A Nazi branch in Berlin was dissolved and reorganized after it had adopted a resolution condemning the course taken by the Hitler government. The organization had further resolved to send Hitler a copy of the party program with the passage pledging the lives of the party leaders to carry out the program underscored in red ink.

In Berlin the sentiment against the new course of the Hitler régime finds indirect expression in various ways. There is, for example, a strong demand for foreign papers. At the railroad stations people stand in line to secure the paper of their choice. The *Deutsche Allgemeine Zeitung*, which had a circulation of 500,000 before its coordination, has almost disappeared. Even the *Angriff* and the *Voelkische Beobachter*, the official Hitler organs, have lost many readers. The Prussian Government forbade the holding of meetings and demonstrations by any organization, including the National Socialists and their subsidiaries. The municipal councils were instructed by the Reich Government regarding measures to be taken if uprisings should occur in the proletarian districts of their cities, and directed to be immediately ready to turn off the gas, electric and water supplies in the rebellious sections.

Hitler and the others who constitute the German dictatorship can no doubt be accused of hypocrisy and bad faith, having never intended to aid the class from which they came. That their propaganda for a sort of pseudo-socialism was pure and unadulterated demagogy is certain. But their defense of the middle class was essentially honest. Weighty considerations must have influenced Hitler to leave the little man to his fate without at least a serious effort to combat the forces responsible for the economic extinction of the middle class. True, seven months are too short a time for the revolutionary reconstruction of a nation, particularly in an era of world depression. But no less an authority than Hitler himself has declared the work of the revolution accomplished.

"It is the important task of the Reich Government at this moment," he proclaimed to a meeting of his viceroys, "to build the spiritual and economic foundation to the totality we have created. This work will be gravely hampered if we permit the agitation for the continuance of the revolution or for a second revolution to continue. * * * Every attempt to sabotage the achievements of the revolution by unauthorized interference with private enterprise or by disregard of the orders of the bearers of the power of the State must be punished, whoever the perpetrator of such acts may be, by the extreme penalties provided by the Decree for the Protection of People and State issued on Feb. 28, 1933." Two weeks later Fritz Thyssen, president of Germany's huge steel cartel, was appointed economic dictator for industrial Western Germany.

In these circumstances the present state of affairs may be accepted as an indication of the course the Nazi revolution will pursue. Various facts which have since come to light go far to explain this reversal of attitude by the Hitler government. In well-informed German circles President von Hindenburg's supine tolerance of the Nazi dictatorship is ascribed to the fact that Meissner, his secretary, and Colonel Oscar von Hindenburg, his

German Nationalist son, are among those whose names were found on a list of prominent patriots who had received liberal gratuities from the Jewish Commerz und Privat-Bank, a list that was discovered when the villa of its chief, Sobernheim, was raided. This damaging information is said to be held as a sword over the head of the old President to force him to do their bidding. Furthermore, the Nazis are making every effort to alienate the Presidential family from its Nationalist allegiance. The gift made at Tannenberg, East Prussia, of 500,000 acres of forest land may well be looked upon as the price paid to the younger Hindenburg for his desertion of the Nationalists.

It is well known also that heavy industrialists and Reichswehr militarists joined in sending an ultimatum to Hitler through War Minister von Blomberg, the former because they feared the demoralization of the nation's industries through the planless chicanery of Nazi officials, the latter because they resented the growing power of the Storm Troops. Unrest in Hitler's own ranks had rendered him more than usually receptive to these protests. He had just learned that rebellious Storm Troopers had conspired to arrest Hjalmar Schacht, president of the Reichsbank, as the man chiefly responsible for Hitler's hesitation to put into practice the Socialist aspect of the Nationalist Socialist program. Schacht was accused of maintaining the gold standard in the interests of the bankers and capitalists and of having betrayed the revolution.

This rebel movement was reported to have the support of Gottfried Feder, father of the Nazi economic program and the originator of the "interest-servitude" theory, and of Goebbels, Chief of the Propaganda Ministry, who is said to have sent several prominent leaders to Hitler to demand Schacht's arrest. Hitler was forced to use his full authority and that of the ruthless Goering, Minister of the Interior and Director of the State Secret Police, to put down the rebellion. That Goering is hated by Goebbels for his leanings toward the heavy industrialists—he is engaged to the daughter of Thyssen—adds to the complications with which the German dictator must contend.

Of all the demands propounded by enthusiastic campaigners, and no less positively by Hitler himself, none was more popular with the middle-class adherents than the insistence on a reduction of the mammoth incomes of "Jewish bank directors." After the government completed its coordination program it referred the matter to its labor commissioners for individual regulation after consulting the bankers themselves. Nothing happened, and the resentment of the Nazi party membership became more and more articulate.

Dr. Schmitt, Reich Minister of Economy, finally took action. He ordered the directors of the nationally owned Dresdner Bank to reduce their salaries to 3,000 marks monthly and to surrender their fees as directors to the bank. They ignored these instructions. The government was not accorded the courtesy of a reply. When the shop cell of the bank protested the directors replied that they would not submit to Bolshevist dictation, that they were convinced that the instructions of the government were based on a misunderstanding. The refractory directors were not sent to concentration camps. Hitler was silent and the directors continue to draw salaries of 80,000 to 110,000 marks

and to collect their fees as heretofore.

With the appointment of Fritz Thyssen as Industrial Director for Western Germany, the powerful industrialists, since the 1918 revolution the most reactionary influence in the country, became the masters of the Third Reich. Thyssen is the son of the Catholic founder of the Thyssen dynasty, a self-made man of iron will, whose achievement in building up the gigantic steel cartel was a miracle of modern rationalization. Among his associates Fritz Thyssen, still known as the young Thyssen despite his fifty years, is now the willing tool of the industrialists with whom he is allied. He joined the Brown Shirts because he recognized the hopelessness of Germany's economic future, even if he does not despair of capitalism and its mission. For Fritz Thyssen, who is no abstract thinker, a continuation of the Weimar Republic meant bankruptcy for the Thyssen holdings and their reduction to about one tenth of their actual value, or perhaps a State ruled by financiers in which the industrialist would be simply another cog in the wheel. With Thyssen it was a purely personal matter. So he became a National Socialist.

Influenced by him, the heavy industries gave huge subsidies to the Nazis. But Krupp von Bohlen, Kirdorf and Voegler want more than the safety of their personal investments. They helped to drive Germany into the World War. Together with Hugo Stinnes they used the inflation to rid their great undertakings of indebtedness, to lower wages and to break the power of the labor unions. They supported the Conservative Nationalists behind Hugenberg until they saw his power wane. It was then that they turned to Adolf Hitler as the coming man.

In the nine months since Hitler a tained power, the Nazi régime accon plished what it took Mussolini half decade to achieve. The labor move ment is crushed; spiritual liberty an political freedom are dead. Wha magic helped these men to produc this astounding result? They gav work to jobless followers by murde ing their opponents, driving them ou of the country, putting them into con centration camps or throwing them o the streets to starve. That was the great positive feat. To the masse they gave neither bread nor bette homes nor jobs nor social securit But they gave them games—a Roma holiday as gigantic as it was crue —the hue and cry after Marxists wh were tortured and thrown into con centration camps; the boycott of Jew in a saturnalia of cruelty and hatred the burning of books, the "cleansing of schools, offices, courts, busines houses; the destruction of trac unions, cooperatives and cultural o ganizations; the destruction of th Social Democracy and the Communi party, the arrest and imprisonment their leaders, the burning of th Reichstag: the suppression of th Steel Helmets, the German Nationa ists, the Catholic Centre party; th harrying of doctors, lawyers, teache and scientists.

But the little man is growing tire of excitement. The tramp, tramp soldiers' feet on the streets day an night, day and night, is losing i thrill. It reminds him uneasily tha peace and settled conditions are sti far away, that of all the gloriou promises of yesteryear nothing r mains but this show of force, this a yet invincible ruthlessness that tea down but does not build, that ha broken with the past but has no visio of a better future.

Can Cuba Save Herself?

By HUBERT HERRING

[Mr. Herring here continues the story of the Cuban revolution which he told in CURRENT HISTORY for October (pages 14-24) up to the point when that issue of the magazine went to press.]

CAN Cuba save herself? What is going to be the outcome of this bewildering succession of events beginning with the fall of Machado? These and a dozen other questions perplex the observer as he tries to discover the significance and chart the trend of affairs in the sorely harassed island republic.

Carlos Manuel de Cespedes, as we saw last month, became the first head of the Cuban Government after Machado. But the new régime was short-lived--from Aug. 12 to Sept. 5. The hope of its sponsors was that it would somehow fill the gap between the tyranny of Machado and the coming of law and order and a constitutional government, and that there would be a breathing space during which things would be done in a legal fashion and the people given a chance to reshape their political and social institutions in a spirit of peace and justice. Dr. Cespedes played his part with grace, if not with strength. The members of the Cabinet, several of them men of patriotic devotion and genuine ability, labored intelligently and indefatigably. The administration had the support of a large section of the public. The dream failed. It was too good to be true—or not quite good enough.

The end of the Cespedes régime came at the hands of the enlisted men of the army. The axiom that the army has the last word in Latin American politics had another proof. Machado was turned out by the officers on Aug. 12, and now in turn Cespedes and the officers were turned out by the sergeants and the privates. It was a barracks revolution led by Fulgencio Batista, sergeant from the ranks. Behind the army stood the students of the *Directorio Estudiantil,* and with them a few of the Left Wing professors of the university, of whom the chief was Dr. Ramon Grau San Martin. A few lone-hand players also joined in. Sergio Carbó, editor of *La Semana,* was the most notable. It was a bloodless coup. The sergeants took command of Cabañas and Castillo de la Fuerza as their superior officers had done three weeks before. A junta of five men assumed the power. Officers were displaced by sergeants, and the government of Cespedes was at an end.

President Cespedes was the last to be notified. The junta called upon him and through their spokesman, Dr. Ramon Grau San Martin, delivered their ultimatum. Dr. Cespedes, fresh from his return from the territory in Santiago devastated by the hurricane, was astounded. Only a few days before he had announced that all was tranquil, that the country was solidly behind the government. "Really, gentlemen," he asked, "what is it you want?" "Your resignation," was the firm reply. Cespedes countered by affirming his revolutionary faith, his desire to serve Cuba, but the junta did not weaken. The President shook hands with the members of the junta

and left the palace for the quiet of his Vedado home.

Why did the Cespedes régime come to such an untimely end?

First, it was regarded as American-made; it suffered from American approval. Cespedes would have fared better had Sumner Welles, the American Ambassador, not spoken so highly of him. The Cubans who blessed Mr. Welles for assisting in the overthrow of Machado turned to curse him for having a hand in naming Machado's successor. Dr. Cespedes was damned as being an appointee of Mr. Welles, and Dr. Cespedes went into retirement.

Second, the pace of the Cespedes régime was too slow for the revolutionary leaders. For eight years stark misery had walked the streets and then came release. It was a revolution, the Left Wing cried. They were impatient of the American Ambassador's insistence upon orderly and constitutional methods. Intoxicated with their new-won freedom, they cared nothing for constitutions or laws. The members of the Cabinet were busily engaged in untangling the twisted lines of the nation's life, and this was a tediously slow process. The revolutionists said, in effect, there is no time to untangle, there is time only to cut the knots.

Third, the cry for revenge. The students and the sergeants demanded the blood of the guilty. The Cespedes régime, greatly influenced by Mr. Welles, stood for orderly judicial processes and against the swift arbitrament of gunfire. The guilty were being gathered into jails, held for orderly trial.

Fourth, a definite Communist element entered in. There have been, there are, relatively few Communists in Cuba, but as a result of the Machado policy of repression, each has the power of ten. These Communists had made rapid inroads on the organizations of labor, in the army ranks and among the students.

Fifth, the weakness of Dr. Cespedes himself. Respected, trusted, without guile or ambition, he could not handle the crooks who flocked about him. The old guard filled his office and they did not leave without winning favors. The discontent grew from day to day during August. The ABC protested, the students protested. Dr. Cespedes was picked because he was a neutral and he was dismissed because his neutrality was colorless.

Sixth, the inherent evil of the mercenary army. This was Machado's legacy to his despoiled people. The junior officers turned upon their seniors when they saw that Machado's time was up. The sergeants turned upon the junior officers in the same fashion. The rumor spread that the army was to be reduced. The privates decided to eliminate the 900 officers. There might be patriotism in the ranks, but the threat to their jobs proved to be the decisive argument.

The government that succeeded the Cespedes régime took office without American approval and without the enthusiasm of any large section of the Cuban people. The junta was composed of five men: Dr. Ramon Grau San Martin and Dr. Guillermo Portela, professors in the University of Havana; Porfirio Franco, business man and banker; Sergio Carbó, cynical and brilliant editor of *La Semana;* José M. Irizarri, young lawyer. There was no doubt about their idealism, ability and patriotism, but they were distinctly not representative of Cuban life. The three significant figures in the group are Carbó, Grau and

Irizarri. Carbó has been charged with being a Communist, but with very little evidence to prove it. Grau is a grave, high-minded physician, totally without personal ambition, entirely dedicated to the ideals of a free Cuba, greatly beloved by several generations of Cuban students. Irizarri is one of the simon-pure patriots of the Machado days. He went to jail for two years because he refused to testify against two university students. The junta was picked to represent the students.

Who are these students who aspire to rule Cuba and who have succeeded in doing so up to the time this article goes to press? Their story may be read backward or forward from the killing of Julio Antonio Mella by the agents of Machado in Mexico in 1929. Mella is a symbol to the boys who are today ruling Cuba. Ten years ago, when Zayas was President, the students led by Mella took charge of the University of Havana and drove the faculty from the campus. They said that the faculty was a group of time-servers, sycophants; that the university should be the training ground for Cuban freedom, not for Cuban servility. They won some concessions, but they were tricked in the final settlement. The university continued subservient to Zayas, then to Machado. The student movement went on, flaring out violently against Machado's re-election in 1928, against his repressive measures. In 1930 Machado closed the university and it has remained closed ever since. Machado had his way with the students, and he turned five thousand of them loose to plot his downfall. He has them to thank for his exile.

These students are boys and girls ranging in age from 16 to 30. They are those who were in the university when it closed in 1930, those who would have attended in the intervening years had it reopened. They furnished the sinews and life blood of the opposition to Machado. They threw bombs with gayety—and accuracy. They printed their newspaper and distributed it. They stored arms and prepared. These students are of no one social class. Many of their leaders are drawn from the wealthiest homes in Havana. I watched them track down *porristas* —members of Machado's violence squad—during the fateful days after Machado's flight.

The students are not to be dismissed as thugs and Communists. They are of the stuff of which great patriots are made. Their faith is almost fanatical in its intensity. They tell you that the old men have failed, but that they will not fail. Many of the best known houses in Havana are divided by this issue. The fathers are practical men; the sons are the patriots who joyfully count all lost save patriotism. The fathers argue that the boys are young, that they do not realize what they do, for they have no stake in the country. The boys reply that nothing matters save that Cuba shall be free, free from outside interference, free to develop her own institutions in her own way.

It is questionable whether communism, in any proper sense of the word, has won a strong hold on the student group. The radicalism of the students is rather an exultant nationalism, which expresses itself in passionate devotion to Cuba and a bitter hatred of everything and everyone who threatens her freedom. Combined with this nationalism is reckless and unrelenting fury against those who have looted and despoiled the country. It is no secret that representatives of the *Directorio Estudiantil* are in Montreal

waiting their chance to balance the scales of justice. They talk of punishing Machado, but one wonders if any greater punishment can ever overtake him than is now his—the knowledge that his food may be poisoned, the certainty that one unguarded step may be his last, the assurance that never so long as he lives can he escape the prison he has himself contrived.

The overthrow of Cespedes and the substitution of Grau places the American Government in a tight place. Mr. Welles, with the full backing of Washington, contrived a plan in June which counted upon the peaceful retirement of Machado and of Congress. It involved the mediation of the American Ambassador and the cooperation of the various sectors of the opposition. It failed because of Machado's treachery and Mr. Welles's miscalculation of the people's temper. Cuba exploded, and in the explosion all hope of a peaceful settlement disappeared. Mr. Welles then sought, still in the rôle of the accepted mediator, to guide Cuba through the nervous period of adjustment to the time when she should be able to readjust her national life. The Cespedes régime was his creation.

It is easy to be wise after the event, but in the light of the desperate situation in Cuba in August it is difficult to see how Mr. Welles could have done other than he did. He could, of course, have folded his hands on Aug. 12 and caught up on the files of *The New York Times*. And then there would have been a thousand murders and anarchy and pestilence. Grant if we will that we were never called to this impossible position of suzerainty over the island; but having involved ourselves in an impossible situation, we could not pull out without warning. Mr. Welles did the only thing he could do. And then Cuba exploded again, and the Grau-student-army explosion was on the doorstep of the American Embassy.

The American response to the explosion was the twenty-nine warships which have dotted Cuban waters since Sept. 5. With the warships went repeated assurances from Washington that we had no desire to intervene, that we proposed to recognize any government which represented the will of the people and which promised order. These assurances have been explicit. On Sept. 11 Secretary of State Cordell Hull said: "The chief concern of the government of the United States is and has been that Cuba solve her own political problems in accordance with the desires of the Cuban people themselves. * * * It would seem unnecessary to repeat that the government of the United States has no interest in behalf of or prejudice against any visible group or independent organization which is today active in the political life of Cuba. * * * In view of the deep and abiding interest in the welfare of the Cuban people and the security of the Republic of Cuba, our government is prepared to welcome any government representing the will of the people of the republic and capable of maintaining law and order throughout the island. * * * Such a government would be competent to carry out the functions and the obligations incumbent upon any stable government. * * * This has been the exact attitude of the United States Government from the beginning."

The gay interlude in the record of our handling of the crisis was the hurried trip of Claude Swanson, Secretary of the Navy. He sailed on Sept. 6 with the air of a proconsul and ended up in a peaceful fishing trip in Southern waters. His ship dropped an-

chor in Havana harbor long enough for the correct First Secretary of the Embassy to make a correct call, but that was all. There are gaps in the record. We do not know exactly what President Roosevelt wirelessed his Secretary of the Navy when it became clear that in both Cuba and the United States there was little enthusiasm for sending so formidable a messenger.

With the Montevideo Pan American Congress in the offing, Washington is naturally sensitive to the possible repercussions of the Cuban situation upon that meeting. On Sept. 6 President Roosevelt invited the representatives of Argentina, Brazil, Chile and Mexico to meet him. He sought to make it clear to them that he wished them to know the exact facts as to the Cuban situation: that the United States had no desire to intervene, and sought every means of avoiding intervention; that the United States definitely hoped that Cuba would quickly obtain a government of its own choosing, and a government that would be able to maintain order.

This gesture of recognition of the common interest of the American republics in the Cuban situation was received by Mexico in a conciliatory spirit, and Mexico sent a communication to the other American republics proposing that all join in appealing to the Cuban junta to establish without delay a government that would assume "ample protection for nationals and foreigners." Argentina's reply applauded the American President's "lofty ideals," but pointed out that youthful nations could learn the art of self-government only by being given a free hand.

The same warning came from other official and non-official sources, and much criticism from home and abroad was leveled against the United States for the massing of warships off Cuba. It was pointed out that if the administration's only ambition was the protection of American lives, a gunboat or two would have served the purpose, and would not at the same time have served to intimidate and undermine the government which for the time being exercised authority in Cuba.

In the meantime, on Sept. 10 the junta sought to regularize their régime by formally installing Dr. Grau as President and by the tentative organization of a Cabinet, but at this writing this *de facto* government has not been recognized by Washington, apparently for two reasons.

First, there is the question whether the sergeant-student-Grau government really represents the choice of the Cuban people. On this point there is ample room for doubt. The Grau régime has the active support of not more than a small minority of the Cuban people. Behind it are three groups—the controlling group of the army ranks, the active leaders of the students in the *Directorio Estudiantil* and some of the university professors. Allied against it are the ABC, the most powerful and numerous revolutionary society, the O. C. R. R., another revolutionary group, a strong minority, possibly a majority, of the professors, all the old guard political groups, and the Communists and the left-wing labor groups. If recognition involves the decision that a government reflects the will of the people concerned, then the Grau government has no case.

The other reason that seems to weigh with the United States Government in withholding recognition from the Grau régime is whether it is able to maintain order. Here again there is

no doubt as to the answer. Order is not being maintained. Reckless lawlessness sweeps the island. From day to day new outbreaks occur. In fairness to President Grau and his associates it should be admitted that in the circumstances it would be well-nigh impossible for any government to establish order within a month, and, further, that the threat of intervention implicit in the presence of United States warships prevents national solidarity under the banner of any leader, and that the withholding of American recognition in itself places a serious handicap upon any Cuban government.

When the Cespedes government was ousted on Sept. 5, it was inevitable that the wrath of the students and their allies would fall heavily upon the 900 officers of the army which Machado had so painstakingly created. It was a highly mercenary and professionalized army. It was made by Machado, paid by him, and was loyal to him until the double threat of the general strike and the possibility of American intervention made it clear that old masters must be replaced by new. There was no great virtue in the defection of the officers on Aug. 11, but a world of prudence.

The *coup d'état* accomplished, the accumulated resentment against Machado was turned against these officers. They had been among the chief beneficiaries of the old régime. They had fattened on Machado's largesse. At the same time, discipline broke down among the men of the ranks. Open insolence toward superior officers became the rule. The officers were caught between the public's hatred of the agents of the old régime and the enlisted men's accumulated dislike of their well-paid and privileged superiors. If these officers had been wise, they would have remembered the pattern of revolutions and have silently put away their uniforms with mothballs and turned to the less exciting and more secure tasks of civilian life, praying the while that they might be forgotten.

But the officers were not wise. They assembled on Sept. 8 in the National Hotel, and they drew up resolutions calling upon the junta to resign and withdraw in favor of Dr. Cespedes, the constitutional Provisional President. This ended all possibility of their being forgotten—or forgiven.

The badly embarrassed American Ambassador, who had moved into the hotel some days before the officers arrived, found himself under an additional handicap because of their presence, and immediately he was made the victim of virulent attacks by the *Directorio Estudinatil,* whose members accused him of using the American flag to shield traitors to the Cuban cause. Telegrams of protest went out from the students to hundreds of persons in the United States and in all the nations of Latin America. The Ambassador moved to the Hotel Presidente and settled that argument. The attack of the students in this case is symptomatic. They are quick to scent conspiracy where the facts point to a coincidence. The fact is that Mr. Welles was living at the National Hotel; that the officers moved in without his invitation. It was not Mr. Welles's conspiracy; it was his bad luck.

The siege of the National Hotel lasted for twenty-four days. Within, the officers peeled potatoes, washed dishes and kept their powder dry. Without, the soldiers milled around, set up machine guns and anxiously waited for an opportunity to launch an attack. The pressure for American intervention increased from day to day, but the warships in the harbor

gave no answer. Finally, at 7 A. M. on Oct. 2, a shot was fired. It is not clear who fired it, but the battle was on. It raged furiously all day with one brief truce arranged by Mr. Welles for the sake of allowing American residents in near-by houses to evacuate. One American, the local representative of Swift & Co., was killed by a stray bullet. Some scores of officers and soldiers and bystanders were killed; many were wounded. The exact figures are still in doubt.

At 4 P. M. the officers surrendered and were carried away to the dungeons built by the Spaniards in Cabañas and El Principe. The hotel, pitted with gunfire, its carpets stained with blood, despoiled by looters, was finally left in eloquent silence. Wives of the officers besieged the American Embassy begging for intervention. Business men, Cuban and American, demanded that the United States fulfill its obligations under the Platt Amendment and enter the island for the protection of life and property. The response from Washington was a statement that no intervention was contemplated, that the loss of an American life was not to be charged to the *de facto* government of Cuba, that Cuba was to be allowed freedom to work out her own salvation.

The immediate future of Cuba is still in doubt as this article goes to press. Yet, impossible as it is to prophesy, we can consider the chief actors in the tangled plot and how they are likely to behave. These actors are:

First, and foremost, the army. If the army is united under the leadership of Colonel Batista it can have its way in Cuba. There is evidence that the army is growing weary of the idealism of the students and that this weariness will grow apace if idealism and regular pay days do not synchronize. A break between the students and the army is more than possible. In that event, there may be ar army dictatorship, or anarchy, or ar alliance between the army and some group of the old political guard.

Second, the students and their allies. Dr. Grau hardly appears to be shrewd enough a politician to hold dissident factions in line. The students, in the very purity of their patriotism, will tolerate nothing which smacks of opportunism. And, fortunately or unfortunately, they are stiff necked in their definition of opportunism. Many observers feel that they should form an alliance with the ABC This may come.

Third, the ABC. This organization is far and away the ablest, the mos numerous and the most representativ revolutionary group in Cuba. It ha able leadership, patriotism and courage. Its present rôle is one of watchful waiting. It will inevitably emerg either in an effort to overthrow th present government or in an allianc with it.

Fourth, the old guard politicians They will remain an obstacle to th security of any administration. Menocal is shrewd and ambitious. Mendieta, more sincere and less intelligen has a large popular following. Gomez capitalizing the unexplainable popularity of his father, has gifts of leadership. Any of these men may ente the picture at any time. With widespread disorder throughout the islan and with the possible defection o some section of the army under a disgruntled leader, a new and disturbin *coup d'état* is quite possible.

Fifth, the Communists. Cuban communism is difficult to classify unde any traditional heading. There is a handful of Communist intellectual who have read Marx and know th orthodox answers to all questions, an

there are also rough-and-ready radical labor agitators who call themselves Communists and who have won leadership in many of the labor groups. But all together there are probably not more than a few hundred who can accurately be called Communists. Nevertheless, the ground is prepared for them. Half-cent sugar, repressive political institutions, widespread feudalism in management control have brought great sections of the population of Cuba to a point where they will turn a willing ear to any one who promises release. The Communists have the chance for which they have been waiting. In Santa Clara and Oriente they are preaching their new gospel to the workers in the sugar centrals, and in a number of cases the workers have taken over the sugar properties and are proposing to run them in orthodox Soviet fashion. The Communists have raised the cry of race prejudice and are rapidly gaining adherents among the Negroes, a group of some million persons in Cuba. Communism may prove to be one of the major complications in any orderly settlement of the Cuban question.

Sixth, the American Government. Washington is determined to avoid intervention at almost any cost. Our government has shown remarkable restraint during the three major crises of the past two months—the fall of Machado, the student-army *coup d'état* and the battle of the National Hotel. It remains to be seen whether intervention can be avoided if general anarchy should develop. In the meantime, the question of recognition looms large. Washington would like to recognize the Grau régime if it could find a good excuse. There is widespread insistence that our government should return to the historic American position and recognize a *de facto* government without implication of approval or disapproval.

A footnote should be added to the list of chief actors. There are the substantial business interests, Cuban and American, which clamor for active and immediate intervention. The Cuban business community is fully as insistent as the American. The landowner, the factory owner, the taxpayer generally, indulges in no talk of Cuban patriotism. He says in effect: "We must be realistic; economically we are a part of the United States and we might as well admit it and have done with talking of Free Cuba." This is the voice of the older men.

Against this group are arrayed the students, the professors, the men and women of the ABC. They are far removed from the business community of the older generation. They are saying: "This is Cuba's golden hour for a social revolution. Foreign dominance, political corruption and political intermeddling have created a servile estate. We live in a land no longer our own. We must regain our heritage, reform our financial system, expropriate lands, clip the wings of foreign capital and build a free republic."

The mood of Cuba today is not one to avoid strife, and all the elements of strife are there. The youth of Cuba is willing to run the risk. There is plenty of energy, courage and ability. But there is always the question of the attitude of the United States and how far that government will allow Cuba to go. The story of Cuba at this time begins and ends with question marks.

Grey: A Tragic Blunderer

By SIDNEY B. FAY

[The author of the following article is Professor of History in Harvard University and Radcliffe College, but is probably better known as the author of the classic study, *The Origins of the World War.*]

THE death of Viscount Grey on Sept. 7 removed one of the most distinguished of the few remaining prominent statesmen of the pre-war period. In France, Poincaré, Caillaux, Paléologue and Jules Cambon live on, but have retired from active politics. Lloyd George is still a notable figure, but hardly a political force. Count Berchtold dwells in obscure retirement. Apart from the Kaiser, who retains in exile at Doorn a physical and mental vigor remarkable for his age and strenuous life, the old leaders of imperial Germany and Russia have almost all disappeared. Even Viscount Grey, or Sir Edward Grey as he was more familiarly known, had lived for several years in retirement at Fallodon, delighting in the birds and surrounding nature of which he was so fond, and about which he wrote in his charming books, *Fly-Fishing, The Charm of Birds* and *Fallodon Papers.* Increasing eye trouble kept him from playing an active rôle in English life and even from reading the relevant documents when he was composing his two volumes of memoirs, *Twenty-Five Years* (1925). The research for this work was done as a labor of love by one of his friends.

With Grey there disappears, one might say, the last of England's great Liberal leaders. He embodied many of the finest traditions of British statesmanship—a strong sense of public responsibility and devotion to public service, absolutely honest intentions, a high respect for Parliament and public opinion, a deep desire to preserve the peace of Europe and to lessen international friction and an outlook on life which cared nothing for pomp and circumstance, but found its solace in friendship, nature and home. Of all the post-war memoirs his *Twenty-Five Years* is most valuable as being a perfect reflection of the author's character, thoughts and motives as he sincerely conceived them to be. By charm and style and absence of bitterness, by transparent honesty of intention and nobility of tone and by the sweet reasonableness of his retrospective reflections, Grey's *apologia* is unique, with the possible exception of Lord Morley's *Memorandum on Resignation.*

Admitting, however, Sir Edward Grey's absolute sincerity in attempting to preserve the peace of Europe and his unquestionable honesty of intent in his memoirs, it is difficult or impossible to reconcile many of his statements with the cold facts as they have been recently revealed in the abundant documentary publications—British, German, French, Russian and Austrian—now available. This has been pointed out by a moderate but extremely well-informed German scholar, Hermann Lutz, in his *Lord Grey and the World War.* There are also many revelations, often unconscious, in Grey's own memoirs which help to explain tendencies and acts

which seem in contradiction with his open, honest, peace-loving character.

One is not unmindful of the admirable adage, *De mortuis nil nisi bonum.* Yet, where a man has played a rôle of such great influence in international affairs and in connection with the origins of the World War, historical truth demands some evaluation of his actions and their consequences. This is especially the case with Grey, since he has often been misrepresented abroad, particularly in Germany, as a hypocrite, a Machiavellian character and as one largely responsible for the World War.

Sir Edward Grey, unlike Lord Curzon and many other English statesmen, had no special training or aptitude for his position as Foreign Secretary and no great enjoyment in it. Born in Northumberland in 1862, he studied at Winchester and Balliol College, Oxford, where he showed ordinary ability as a scholar, but more than ordinary interest in sports. He excelled especially in cricket and tennis and was champion of the Queen's Tennis Club in 1896. At the age of 23 he was elected to the House of Commons, where he took only a languid interest in its work. He spoke rarely and never resorted to oratory. His apparent lack of enthusiasm prompted Gladstone to exclaim: "I never knew in a man such aptitude for political life and such disinclination for it."

When Rosebery became Foreign Secretary in 1892 he selected Grey as his Under-Secretary. Grey says of himself: "I had had no special training for Foreign Office work, nor had I till then paid special attention to foreign affairs." And he adds a significant observation about expert knowledge not being necessary: "But special knowledge is not a necessary qualification in a young man appointed to a Parliamentary Under-Secretaryship. His business is not to be an expert, but to be trained in capacity for public affairs. The theory and practice of parliamentary government is not that of government by experts, but by men of general experience and proved capacity presiding over experts who are the civil servants in our public affairs."* During the three following years Grey devoted himself to his work and did acquire some knowledge of international affairs, and incidentally a dislike and suspicion of German diplomatic methods. "It was the abrupt and rough peremptoriness of the German action [in connection with Egypt] that gave me an unpleasant impression. * * * It left a sense of discomfort and a bad taste behind."

During the decade, 1895-1905, when Great Britain abandoned splendid isolation and made the alliance with Japan and the entente with France, Grey had no connection with the Foreign Office. But when Campbell-Bannerman formed the Liberal Ministry in December, 1905, Grey reluctantly agreed to take charge of the Foreign Office. "The decision brought no joy either to my wife or myself; it meant exile again from home, life in London. * * * Probably my wife's comment had much to do with the decision. 'If we had refused office,' she said 'we could not have justified the decision to the constituents.'" This was typical. He assumed office purely from a sense of public duty. But he never liked the drudgery of Downing Street or the exacting life in London. At every opportunity he slipped away for long week-ends in the country, and Foreign Office affairs had to wait.

*This and subsequent quotations are from either Grey's *Twenty-Five Years* or *British Documents on the Origins of the War, 1914-1918*, Vols. I-IX, XI.

This lack of training and lack of enthusiasm must be regarded as one of Grey's serious defects as Foreign Secretary. He suffered from British insularity. Incredible as it may seem, the man who was to guide British foreign policy for eleven years never set foot outside Britain, except for a few days' visit to Paris with King George in the Spring of 1914. He had no personal contact with foreign rulers and statesmen, no intimate knowledge of the ways and feelings of foreign peoples. He read French, but did not speak it easily. German he neither spoke nor read. Lunching with Prince Lichnowsky, the German Ambassador in London, and hearing the latter's children chattering in German, Grey jokingly would say: "I cannot help admiring the way they speak German." His inability to read German newspapers and his consequent dependence on the English press and summarized translations of British Ambassadors abroad made it impossible to obtain the precise flavor and feelings of foreign countries, which comes only from reading speeches and papers in the original language. It was the same defect from which President Wilson suffered so unfortunately at the Peace Conference. One cannot help feeling that if Grey had had more expert first-hand acquaintance with foreign affairs by travel abroad and by better equipment in foreign languages, he would have been better able to understand the realities of European politics. But, as indicated above, Grey did not believe that expert knowledge was necessary; that could be supplied to him by the permanent civil servants in the Foreign Office.

Now it happened that one of the most influential of civil officials was Sir Eyre Crowe, who became Senior Clerk in the Foreign Office in 1906, just after Grey took charge, and was Assistant Under-Secretary in 1914. He was the son of a German mother, had been educated in Germany and passed for an expert on German affairs. But he had reacted violently against these early German influences, perhaps in part because he had been engaged to marry a German girl until a dashing young German officer came along, cut him out and married her instead. After the officer's death, to be sure, Crowe did marry his former love.

It fell to Sir Eyre Crowe to read and mark his comments on all dispatches which came from Germany and Austria before they were passed on to Sir Edward Grey and the other officials. He had an almost morbid suspicion of Germany's dishonesty, hostility and determination to upset the European balance of power and to seize the hegemony of the world. On Jan. 1, 1907, he wrote a long and astounding indictment of German aggressions in the past with warnings not to make any concessions to her in the future. Grey marked this paper "most valuable," "most helpful as a guide to policy," "information and reflections which should be most carefully studied," and directed that it should be laid before the leading members of the Cabinet. It made little difference that it was also sent to the former Under-Secretary, Sir Thomas Sanderson, who justly took up cudgels for Germany and challenged many of Crowe's statements on the basis of his own wide information and long experience. But Sanderson was no longer in office.

During the following years Crowe continued to mark incoming dispatches destined for Sir Edward Grey's eye with numerous strongly anti-German "minutes" like the fol-

lowing: German officials "are none of them to be believed on their word"; "The object lesson for us to remember is that there is little regard for truth in responsible quarters at Berlin"; "Bismarck and his successors have recognized no standard of right and wrong in questions of foreign policy, or, indeed, in questions of internal policy either." Accepting baseless gossip as gospel truth, Crowe cited in 1908 three alleged circumstances as evidence that Germany was making plans for the invasion of England, when Germany had not the slightest intention of so doing.

Inevitably Crowe's morbidly suspicious comments on and interpretations of reports from Germany greatly influenced Grey and the other higher officials who later read them. Grey was already somewhat predisposed against Germany, as indicated by numerous passages in his memoirs, and Crowe's influence simply increased Grey's own suspicions and distrust of Germany. This tended to hamper negotiations regarding a satisfactory settlement of the Baghdad Railway, African colonies, naval rivalry and all the other sources of friction between London and Berlin; being left unsettled, these questions contributed indirectly to the causes of war in 1914.

In addition to this positive anti-German influence of Crowe and some other officials, Professor R. J. Sontag has recently raised the interesting question whether they did not also exercise a negative influence as censors in holding back or minimizing the importance of papers favorable to Germany. Grey himself, of course, withheld from the majority of the Cabinet—a proceeding wholly contrary to British constitutional usage—the knowledge of the "conversations" between the British and French staffs which he authorized in 1906.

One other general characteristic of Sir Edward Grey's policy may be noticed before we turn to a brief consideration of the two matters in which he has been most criticized—the military and naval "conversations" just mentioned and his delay in taking a decisive stand in 1914. Sir Edward Grey, like most British statesmen and unlike many Continental statesmen, adopted in foreign policy a practice regarded as a great virtue in English domestic constitutional policies — a preference for practical compromise for the present moment instead of theoretical perfection for the future. He did not look far ahead, work out a logical policy, and study all its possible consequences. He was content in foreign affairs, as the English have always been content in dealing with their constitutional development, to meet situations as they arose, and to deal with them according to the most practical and common-sense needs of the moment. He himself says, when alleging that Great Britain never pursued a "balance of power" policy: "I suppose that in this, as in most investigations of British foreign policy, the true reason is not to be found in far-sighted views or large conceptions or great schemes. * * * If all secrets were known, it would probably be found that British Foreign Ministers have been guided by what seemed to them to be the immediate interest of this country without making elaborate calculations for the future."

Unfortunately, France and Russia were making very definite, far-sighted calculations to consolidate the power of the Triple Entente as opposed to the Triple Alliance and to be ready to meet Germany with war, if necessary, in case another serious diplomatic crisis should arise. Thus Grey's hand-to-mouth procedure resulted in encouraging Russia, and to some extent

France, in a stiffer and more aggressive attitude, and Grey, without fully realizing it himself at first, became more and more enmeshed in his secret understandings with France, until in 1914 he felt himself to be morally bound by them.

To Grey's great credit, however, it may be said that he usually tried to work for the solidarity of Europe as a whole, rather than for an increase in the power of the Triple Entente, which would antagonize the Triple Alliance and divide Europe into two hostile groups. He was no doubt quite honest in saying in 1911: "I did not see why there should be any apprehension of difficulty between the European great powers. There were separate groups among them, but no reason remained why those groups should be hostile to each other." He did not seek to make trouble between other powers so that his own country might profit, as Continental politicians were too prone to do. On the contrary, it was quite characteristic of him to observe with complete sincerity to Sir Arthur Nicolson in 1910: "I welcome the prospect of distrust between Russia and Austria being replaced by relations of confidence and good-will." Unfortunately Clemenceau and Poincaré in France and Izvolski and Sazonov in Russia, to say nothing of the men at Berlin, Vienna and Rome, did not always take such a generous, wise and high-minded attitude.

When Grey came into office in December, 1905, he was immediately faced with a very difficult problem. Lord Lansdowne, his predecessor, had recently made the entente with France and had promised the French diplomatic support in Morocco, the eventual partition of which was contemplated in secret articles. The Algeciras Conference was about to meet and France wanted a promise of armed support if Germany should make trouble. This promise Grey very properly refused to give because he could not give it without informing the Cabinet and Parliament, and it was very doubtful whether they would have sanctioned it. But Grey did approve the beginning of very secret military and naval arrangements between the French and British staffs for cooperative action in case of war with Germany.

These arrangements Grey euphemistically refers to in his memoirs as "conversations." They lacked at first the rigid and binding character of a formal alliance, but they gradually came to be in fact if not in form a most vital link in the fatal system of secret alliances. In spite of the meticulous nicety with which Sir Edward Grey was always careful to state to the French that "his hands were free" and that "it would be for Parliament to decide" whether Great Britain would give armed support, he allowed the French to hope confidently that in case Germany caused a European war Britain would take the field on the side of the French. In fact, within a few weeks of taking office he noted: "If the conference breaks up without result, the situation will be very dangerous. * * * If there is war between France and Germany, it will be very difficult for us to keep out of it. The *Entente* and still more the constant and emphatic demonstrations of affection (official, naval, political, commercial, municipal and in the press) have created in France a belief that we should support her in war. The last report from our naval attaché at Toulon said that all the French officers took this for granted, if war was between France and Germany about Mo-

rocco. If this expectation is disappointed, the French will never forgive us."

The "conversations" continued and the technical arrangements for armed cooperation were elaborated. Though Grey continued to state, and perhaps to believe, that his hands were free and that it would be for Parliament to decide, he was nevertheless creating a moral obligation for Great Britain to go to war. He eventually became convinced that he was so deeply committed by a moral obligation that he twice admits in his memoirs that he would have felt bound to resign his office had he been unable in 1914 to persuade the Cabinet and Parliament to enter the war against Germany. These "conversations" were his first great mistake, for they encouraged France eventually to support Russia in her aggressive Balkan policies.

What is still more serious for Grey's reputation is that he kept these conversations secret from the majority of the Cabinet until 1912 and from Parliament until Aug. 3, 1914. His rather lame excuse in his memoirs is that at the time the "conversations" were initiated the Cabinet members were dispersed in an election campaign and difficult to consult, and that later he was not aware of what the staffs were arranging. A more real reason for not informing the Cabinet of the moral obligation which was being created is probably indicated by the remark of Sir Thomas Sanderson to the French Ambassador: "It was not wise to bring before a Cabinet the question of a course to be pursued in hypothetical cases which had not arisen. A discussion of the subject invariably gave rise to divergence of opinion on questions of principle, whereas in a concrete case unanimity would very likely be secured. * * * If the Cabinet were to give a pledge which would morally bind the country to go to war in certain circumstances, and were not to mention this pledge to Parliament, and if at the expiration of some months the country suddenly found itself pledged to war in consequence of this assurance, the case would be one which would justify impeachment."

So Grey entered upon the fatal double policy of encouraging the French with secret joint military preparations and of coddling himself with the idea that he still had his "hands free." After the war, with more experience and with a realization of the seriousness of the criticisms of colleagues like Lord Loreburn who had been kept in the dark, Grey frankly admitted, rather sadly and regretfully, that he had made a mistake: "I have always regretted that the military conversations were not brought before the Cabinet at once."

In the crisis of July, 1914, Grey declared that the merits of the Austro-Serbian dispute were not his affair; it was only from the point of view of the peace of Europe that he would concern himself with the matter. Here he enjoyed a strong key position. He was generally looked to as the man most impartial and best able to take steps to prevent the two groups of great powers from coming into armed conflict. Moreover, Great Britain was not bound by a formal alliance with either group, and her great sea-power would enable her to exercise a decisive pressure, by whatever attitude she might assume, both upon Franco-Russian and Austro-German, as well as upon Italian policy. Grey made many well-intentioned, though not always wholly clear proposals, but they were not immediately accepted

by one or the other of the two opposing groups, and meanwhile the precious hours sped by in which a solution might have been found.

Grey might perhaps have prevented the outbreak of war early in the crisis if he had done either one of two things before the Continental militarists began to exert fatal pressure. First, if, as he was besought by France and Russia, he had energetically indicated to Germany that if war came, Great Britain would support them, then it is quite possible that Germany would have put timely pressure on Austria to accept a peaceful solution. Or, second, if, as he was besought by Germany, he had indicated energetically to France that if war came over Russia's Balkan attitude, England would really keep her hands free and remain neutral, then it is quite possible that France would have exerted pressure on her Russian ally to accept a peaceful solution. But, as he convincingly points out in his memoirs, he was unable to do either of these things, because the Cabinet was divided in opinion and he was too straightforward a man to make a threat or bluff when it was uncertain whether the majority of the Cabinet and Parliament would back him up. So in the crisis he really did at last hold his hands free, to the despair of the French, until he was assured by Bonar Law of the support of the Conservatives and it began to be doubtful whether Germany would respect Belgian neutrality. But at this eleventh hour, Aug. 2-3, the Continental powers were already at war.

There is perhaps a third thing which Grey might have done. The present writer, with all the leisure and documents of post-war years, has often thought of it, though he does not remember to have seen it mentioned by any one else. Nor would he for an instant blame Sir Edward Grey for not thinking of it in the hectic days of July, 1914. It is this. Grey and Churchill might, early in the crisis, have secretly ordered the mobilization of the British fleet. Cabinet approval was not absolutely necessary for such a step. Grey could then have informed Germany of the step taken and withheld the information for a few hours or days from France and Russia. The effect of this *might* have been to serve as a warning to Germany to restrain Austria, without at the same time giving France any encouragement to continue supporting Russia. There are, of course, various objections which might be made to this suggestion, but it may interest some readers as an academic speculation.

And yet, Sir Edward Grey was the finest type of English gentleman—gentle and considerate in personal life, a loyal and true friend, a devoted public servant and a thorough sportsman in the best sense of the word. On the other hand, he was hardly a great statesman like Palmerston, Disraeli or Salisbury. He suffered from insularity of outlook, strong predilections and deep prejudices, and he was not fully aware of the encouragement which his Entente policy gave to France and Russia. If he had had the expert knowledge, the habit of far-sightedness and the constitutional freedom of quick decision possessed by most of the Continental statesmen of the pre-war decade, and if they in turn had had Grey's honesty of intent, his high-mindedness and his deep solicitude for the peace of Europe, there are good reasons for thinking that the catastrophe of 1914 might have been avoided.

Canada's Divided Loyalty

By DUNCAN MCARTHUR

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THE most important events in the recent economic history of Canada have been the Ottawa Conference and the American national recovery program. Here is illustrated most significantly the division of Canada's economic allegiance between the British imperial system and the American continental system. Other British Dominions, although to a less extent than Canada, manifest a similar cleavage of economic interest. That this situation has, in turn, affected profoundly the policies of Great Britain was made clear at the London Economic Conference. Pressure exerted by the British Dominions, led by Canada, prevented the alignment of Great Britain with the European gold bloc; the influence of Canada was employed to avoid a disintegration of the conference under conditions which would have aggravated the spirit of animosity toward the United States already apparent in Europe. Similarity of natural environment and similarity of experience through the course of common historical processes have made the peoples of Canada and the United States akin in mental outlook on the problem of recovery from economic depression.

Like the United States and the rest of the world, Canada has been battling for more than three years with the forces of economic depression. By July, 1930, when a Federal general election was held in Canada, Canadian foreign trade had commenced to decline, the purchasing power of the Canadian people was being reduced and the spectre of extensive unemployment was appearing on the national horizon. Richard B. Bennett, the leader of the Conservative Opposition in the Canadian Parliament, made unemployment the chief issue in the election and proposed as a remedy the raising of existing tariff barriers to provide greater protection for the Canadian manufacturer and thereby to keep the wheels of industry in motion and Canadian labor employed. As the Mackenzie King administration's record on unemployment had not been impressive, the Canadian people gave Mr. Bennett and his party a mandate to apply the principles which they had advocated during the campaign.

With a majority in the Dominion Parliament the Conservative party was able to enact the measures and introduce the administrative reforms which its leaders might deem expedient. Probably none of Mr. Bennett's predecessors in the Premiership was confronted with problems comparable in magnitude and complexity to those existing today, and it is equally doubtful if any other Canadian Prime Minister exercised such extensive powers as those within the control of the present incumbent. In these circumstances the personality of the Prime Minister, the quality of his mind and the method of its working become of peculiar interest.

Mr. Bennett has been a successful

lawyer in Calgary, Alberta; he has maintained a keen interest in the legal profession and has been president of the Canadian Bar Association. As solicitor for one of the major Canadian transportation systems, he increased the experience gained elsewhere in the solution of industrial problems. Becoming interested in politics at the beginning of the century, he served as a member of the Assembly of the Northwest Territories before the formation of the Provinces of Saskatchewan and Alberta, and in 1905 was leader of the Conservative Opposition in the Legislature of Alberta. Few Canadian statesmen have assumed the responsibilities of government with a wider experience in the kindred fields of law, politics and business.

Mr. Bennett's mental outlook is distinctively conservative. He shares the lawyer's respect for the rights of property; he is essentially an individualist; he regards the capitalistic system as fundamentally sound and capable of meeting adequately Canada's material requirements.

Despite prejudices engendered by political partisanship, there is general agreement upon the Prime Minister's personal integrity, courage and unstinted devotion to the service of his country. He makes up his mind quickly, perhaps sometimes too quickly, and the business of government is, likewise, being conducted with dispatch, a condition which may involve errors in judgment. Nor is there any doubt that the problems confronting the nation are being met with frankness. The Prime Minister, who has been unable to surround himself with colleagues distinguished by skill and ability, dominates his Cabinet completely and, by the same token, has assumed responsibility for significant decisions. There are those who doubt the capacity of any man to transact the volume of business which passes through Mr. Bennett's hands in a manner which will insure a uniformly high degree of wisdom in decision. Yet were the Canadian people to choose a dictator it is probable that Mr. Bennett would be their first choice.

Mr. Bennett's devotion to the public service and his readiness to assume responsibility, however laudable in themselves, may, nevertheless, tend to restrict the function of government, particularly along the line of inquiry and investigation, and may prevent the attainment of the largest measure of wisdom in judgment. Were the Ministry stronger, there might be a more even distribution of labor and of responsibility—an advantage urged by an increasing number who advocate the formation of a national government, incorporating the best talent available regardless of party affiliations.

Three phases of the Bennett program are of special interest: the measures adopted for the immediate relief of the unemployed; the trade policies which aim to prevent further unemployment, and the steps taken to preserve the financial integrity of the country and to maintain its credit abroad.

The first effort of the new Canadian Parliament to meet the unemployment situation was avowedly a palliative. For the relief of the unemployed $20,000,000 was appropriated for the construction of public buildings, wharves and bridges, the elimination of railway crossings and for other undertakings of a public character upon which, except for this aid, governments and railways would not have embarked. Municipalities which undertook local public works were able to obtain one-quarter of the cost from their provincial governments and another quarter from the Dominion

Government. The total amount expended under this scheme exceeded $70,000,000. The two Canadian railway systems—the Canadian National and the Canadian Pacific—agreed to undertake works involving an expenditure of $26,000,000, on condition that the Dominion Government would guarantee the payment of interest on the amount expended for a period of eighteen months. A further appropriation of $4,000,000 was made to provide direct relief for persons for whom work could not be obtained; the Federal, provincial and municipal governments each assumed one-third of the cost.

The general principles of policy set forth in the Autumn of 1930 have been carried forward in subsequent legislation. The funds made available through the operation of this scheme provided more or less adequately for the unemployed during the Winter of 1930-1931. Provincial governments were required to approve of the general plans of projected local public works, while the actual expenditure was subject to the control of the local municipal authorities who contributed one-half of the cost.

The number of unemployed, however, continued to increase with startling rapidity. The decennial census of Canada, taken as of June 1, 1931, showed 471,668 unemployed out of 2,564,879 wage earners. Those unemployed by reason of illness, accident or similar causes numbered approximately 36,000. A careful non-official estimate placed the average number of unemployed for the year 1931 at slightly less than 500,000, with manufacturing bearing 30 per cent and the construction industries 25 per cent of the burden.

The steady increase of unemployment forced Parliament to adopt extraordinary measures during the session of 1931. The situation was further complicated by the rapid decline in the price of wheat, a condition which brought actual distress in many sections of the Canadian West. The serious reduction in the purchasing power added further to the difficulties of the Prairie Provinces and their municipalities in obtaining revenues from taxation. In the Summer of 1931 Parliament granted the government virtually unlimited power to enable it to continue the construction of public works and to cooperate further with the Provinces and municipalities. A new feature was then introduced in relief provisions when the government secured authority to pay 5 cents a bushel to the producers of wheat in the three Prairie Provinces on delivery to a licensed elevator or grain dealer. The total amount appropriated by the Dominion Government alone under this scheme approximated $40,000,000. By the end of the year it was estimated that employment had been given to more than 265,000 people as a result of this legislation. But unemployment showed no decline and by the Spring of 1932 it was estimated that approximately 700,000 persons—almost one-third of the wage-earning population—were without work.

The policy of providing work for the unemployed has unquestionably many advantages. A deep-rooted antipathy to any project suggestive of the British "dole"—a system which has been grossly misrepresented in Canada—prevented approval of any other scheme. Undoubtedly it has helped to maintain the morale of the unemployed; it has made possible the construction of many valuable public works and has provided a certain stimulus for trade and industry. On the other hand, the projects undertaken have not afforded work for even a majority of the unemployed.

Much of the construction was of questionable value to the community and, since the work was not performed in an efficient manner, the costs have been out of proportion to the value received. Finally, as the number of unemployed increased at the same time that provincial and municipal governments were finding it difficult to raise funds, the system of public works began to break down. As a result there has been a definite swing toward direct relief, by which food, clothing and shelter are supplied to those without means of support. During 1931 State-aided projects accounted for more than 11,000,000 man-days of labor; for the first eleven months of 1932 the number had declined to 7,500,000.

The administration of relief was at first marred somewhat by a lack of that restraint which is usually associated with the spending of one's own money. Experience has taught the Canadian people a significant lesson; it is certain that in the future relief expenditures will be scrutinized much more closely. Despite abuses and a certain measure of wastefulness, the system has worked tolerably well; the unemployed and their dependents have been maintained; there have been no hunger marches; there has been no serious disturbance of the peace.

The second portion of Mr. Bennett's program was concerned with protective tariffs, with preventing the importation of any manufactured goods which could be made at a reasonable price in Canada. Such a policy has found additional justification in the reduction of Canadian payments abroad and in checking a decline in value of the Canadian dollar. Equally important, however, in determining the commercial policy of Canada has been the attitude of Great Britain and of foreign countries—the United States in particular—to Canadian trade. Canadians have not forgotten the disastrous effects of the Hawley-Smoot tariff; for example, exports of cattle from Canada to the United States declined from $11,987,000 in 1929 to $838,000 in 1931. While the United States raised barriers against trade with Canada, Great Britain, discarding her traditional policy of free trade, gave the Dominion an advantage in her market as compared with foreign exporters.

At the special session of the Canadian Parliament in the Autumn of 1930, duties were increased on several commodities such as textiles, boots and shoes, agricultural implements, heating apparatus and electrical appliances. The government sought to protect the consumer by obtaining authority to reduce or remove the duty should Canadian producers use it as an excuse to increase the price of the commodity. The principle of the British preference was maintained, but the changes involved the payment of higher duties by British exporters. More stringent measures were adopted to prevent dumping in the Canadian market and the Minister of Customs was authorized to use his discretion in determining the value of imported goods for customs purposes. In the Parliamentary session of 1931 a more general upward revision of the tariff involved approximately 200 items.

The most significant changes in tariff policy, however, are associated with the recommendations of the Ottawa Conference held during the Summer of 1932. The fiscal policy adopted by the new National Government in Great Britain had made possible a scheme of intra-imperial tariff preferences along the lines urged a quarter of a century earlier by the late Joseph

Chamberlain and now introduced by his son, Neville Chamberlain, Chancellor of the Exchequer. The changes made in the Canadian tariff as a result of the Ottawa Conference did not involve an abandonment of the principles of protection, principles applied to restrain the competition of British as well as of foreign industry. Such increases as were made in the preferences given to Britain involved primarily higher duties for foreign competitors. Duties were also increased on foreign goods when the British exporter could obtain little, if any, advantage. The net result has been to leave the Canadian manufacturer secure in his protected Canadian market—a condition which gives very little satisfaction to the British textile industry—although a substantial volume of purchases has been diverted from the United States and other foreign countries to Great Britain.

It is too soon to estimate the results of the Ottawa Conference or of the new trend in opinion of which the conference was merely a symbol. The actual modifications in tariff schedules effected in Britain and in the British nations overseas may not be the most significant consequences of the new economic imperialism. The extension of economic nationalism, particularly in the field of trade, has unquestionably turned the mind of the British peoples throughout the world to the more intensive cultivation of the imperial market. This may be only another aspect of accentuated nationalism, and the more dangerous because operating on a larger scale, but the sentiment does exist and must be included in the consideration of the problems of international trade. This new trend of opinion may not help directly to remove obstructions from the channels of international trade; it does, however, indicate a certain trend that is likely to continue unless the nations can cooperate to check the further growth of these policies of economic nationalism.

Of greater significance in its influence on Canada's external economic relations than the London Conference, was the recent borrowing by Canada in the London market of the sum of £15,000,000. For nearly twenty years Canada has limited her external borrowing to New York. Here, then, is a most striking departure in policy which indicates the imperial orientation of Canada's economic relations and the readiness of British capital to draw more tightly the economic bonds of empire. It is but natural that the payment of interest will be effected by Canada through the sale of commodities and that, to such an extent, Canadian trade with Great Britain will be increased.

Meanwhile, Canada's industry has shared in the decline of the world's purchasing power. External trade has fallen seriously, while the direction of that trade has been modified by the operation of the new imperial tariff policies. For the year ending Nov. 30, 1932, the total of Canadian exports was $513,000,000, nearly $120,000,000 below the previous year and a figure approximately one-third of the 1929 total; imports in 1932 were $464,000,000, a drop of $185,000,000, again approximately one-third of the 1929 mark. Exports to Great Britain, however, rose more than $5,000,000, while imports from Great Britain fell $18,000,000. Exports to the United States were $91,000,000 less; imports from the United States were valued at $271,000,000, as compared with $868,000,000 in 1929, and were $136,000,000 below the total for 1931. The total trade between Canada and Great

Britain during the twelve months ending in November, 1932, declined $13,000,000, that between Canada and the United States $227,000,000.

Some part of the shrinkage in the value of trade may be attributed to a lowering of the price level; nevertheless there remains a most substantial reduction in the output of Canadian industry, which was in turn reflected by increasing unemployment. For the first time in many years, however, Canadian trade showed an excess of exports over imports, a condition which indicated that Canadians had tightened their belts and were endeavoring to live within the national income.

The movement of trade exerts an influence on the relative value of the Canadian dollar. Because of vast obligations payable in the United States, the Canadian Government has attempted to maintain parity between the Canadian and the American dollar. But the attempt has been only partly successful. When the Dominion prevented the export of gold it virtually abandoned the gold standard. The discount, hovering around 18 per cent, to which the Canadian dollar was subject in New York before the United States left the gold standard, placed an additional burden on Canadian debtors who had to meet obligations in the United States. When it is recalled that the total outstanding Canadian bonds and debentures payable in United States funds is $3,247,000,000 and that the payments of principal and interest due this year alone amount to $266,000,000, the importance to Canada of the relationship between its dollar and the dollar in New York can be realized.

Such a situation explains the keen interest among Canadians in President Roosevelt's national industrial recovery program. As long as the United States adhered to the gold standard it seemed futile for Canada to embark on a policy of currency inflation. With the change in the monetary policy of the United States, however, it became possible, if not to hitch the Canadian car to the Rooseveltian engine, at least to board the train with the expectation of being able to jump for safety if the pace should become really dangerous. The existence of similar conditions in the two countries dictated a common desire to effect an increase in commodity prices as a means of increasing employment. The relative unimportance of Canada's economic activities in the larger world sphere made it impossible for her to embark on a lonely experiment, even had she been so inclined, but with the United States taking the lead, Canada has been willing to trail along behind. Seldom has the close integration of the economic life of Canada with that of the United States been more clearly demonstrated than during the past Summer. For instance, the rise in the prices of stocks and commodities in America during May and June, and the sudden decline of mid-July were both reflected in Canadian markets.

Climatic conditions, physical proximity, community of habit and custom, have given the United States solid advantages in the Canadian market and have tended to send trade north and south. But political association with Great Britain, extending over nearly two centuries, has attracted trade east and west across the Atlantic and across the northern stretches of the continent. Moreover, American tariff policy, except for brief intervals, has discouraged trade with Canada, whereas the mother country has offered a free market and

has even conceded slight preferences to empire goods. Natural forces have thus been in conflict for long years with the attractions based on human associations.

Today there are prospects that the United States may abandon its tariff protection for the sake of reciprocal trade agreements with several of the States of the American Continent. The obvious advantage to be gained by Canada from any such arrangement would be the creation of larger markets for her natural products. The *quid pro quo* must take the form, to a large extent at least, of reduced duties on the import of manufactured goods from the United States. Such a reduction will involve the risk of increased difficulties for Canadian industry or of depriving British exporters of advantages already enjoyed in the Canadian market. But the fact remains that Canada is as intensely nationalist in its tariff policy as any State, and that its nationalism is concerned primarily with protecting its manufacturing industries. Mr. Bennett, however, may have been persuaded at the London Conference that the nations of the world have already suffered enough from the exaggerated nationalism of prohibitive tariffs; possibly he would welcome an opportunity to effect a reduction in Canadian custom duties.

It has been suggested that Mr. Bennett may seek release from the leadership of the government before the next federal election, which must be held before the midsummer of 1935. On the score of unstinted effort in the public service, he has unquestionably earned the right to enjoy a less strenuous life. He takes pride in the achievements of the Ottawa Conference and in his own contribution in placing the commercial relations of the British Empire on a more solid basis and thereby strengthening the unity of the empire. Perhaps the crowning event of his political career will be the negotiation of a treaty of commerce with the United States which will remove many of the barriers preventing a profitable trade between the two neighboring countries. But to harmonize the attractive forces of the American continental system with the counteracting tendencies of the British imperial system, while still preserving intact the foundations of Canadian industry, will tax the ingenuity of any Canadian statesman.

America's Way With the League

By ARTHUR B. DARLING

[At the opening of the fourteenth session of the Assembly of the League of Nations on Sept. 25, Premier Johan Mowinckel of Norway, President of the League Council, said that during the past year the cooperation of the United States with the League "never has been so important, so close and so varied." The following article by a former professor of Yale University reviews American relations with the League during the past twelve years.]

THE United States accepted in March, 1933, the invitation of the League of Nations to cooperate with its Manchurian Advisory Committee. The Department of State carefully guarded that acceptance with reservations, but the fact remained that an American Minister had received instructions to represent this nation in political deliberations of the League. So marked a departure from the original attitude of 1921 makes it fitting to review the extent and the character of American relations with the League of Nations during the intervening period.

With considerable vigor, and not a little bitterness, President Harding and his Ambassador to Great Britain declared that the United States was not to enter the League by any door, openly or furtively. The procedure of the State Department during the first six months of the Harding régime confirmed this policy. Communications from the League were at first disregarded, and then acknowledged with cold formality. The American members of the Permanent Court of Arbitration at The Hague, who were authorized to submit nominations for the new World Court, were prevailed upon by the Department of State to refrain from doing so, on the ground that the United States was not a party to the contract. A former Republican Governor of the Philippines, sought by the League for its Mandates Commission, felt compelled at the instance of the State Department to decline the appointment.

When dealings with the League could not be avoided or ignored, they were conducted laboriously through the Dutch, Swiss, and French Foreign Offices. Secretary Hughes defended this course cogently enough; however much some wanted the United States in the League, the fact was that the United States was not, and he could not act as if it were.

Though President Harding was vague about the kind of international organization which he desired, his administration before the end of its first year had shaped Republican ideas of the best means for regulating international problems. Led by Mr. Hughes, representatives of leading European powers, Japan, and China committed themselves at the Washington Conference to two American purposes—limitation of armaments and international restraint in dealing with China, both of which had become fundamentals of American statesmanship through years of conscious activity, assertion and reiteration, and through absence of fear. Concern for these two objectives proved itself eventually the chief dissolvent of American aloofness from the League.

The Harding administration delib-

erately rejected the materials with which President Wilson had begun to construct an unofficial relationship pending American ratification of the Treaty of Versailles and membership in the League. American representatives had been participating unofficially in the work of the League committee on the dispute over the Aland Islands between Sweden and Finland (1920-21) and in the Brussels Financial Conference (1920) on the organization of League committees, financial practices, and trade. In 1920 the Surgeon General of the United States Public Health Service had taken part in the conference for creating the International Health Organization. Americans, acting as private individuals, had been engaged in the Secretariat of the League.

Nevertheless, soon after the first political declarations that the League was dying, if not already dead, the Harding administration came to realize that valuable results were to be obtained from association with the League's committees and commissions, with the International Labour Organization, and with other international bodies that were working under the sponsorship of the League to further humanitarian projects and to promote peace. Henceforth, if the Department of State could be sure that no embarrassing commitments would arise, individual Americans were to be discreetly encouraged to take part in League activities, and even government officials, with certain restrictions, might be allowed to attend conferences as observers and technical advisers. In extreme cases, this came perilously close to the ridiculous situation of official participation in unofficial capacity.

Constant sessions and conferences of the League's Permanent Health Organization since 1921, in conjunction with the old Office Internationale d'Hygiène Publique, of which the United States is a member by previous conventions, have accomplished much in the study of disease and problems of hygiene. Other commissions and conferences, in which Americans have participated privately, semi-officially, or in some instances officially without power to vote, have attacked the problems of opium and the manufacture and distribution of narcotics, the deportation of women and children in the Near East, Russian and Greek refugees, the white-slave traffic, and obscene publications. The Labour Organization's commissions have worked upon questions of emigration, industrial hygiene and safety, night work by women, occupational diseases, native labor, comparative wage statistics, and similar matters.

In 1926, the League followed up the Brussels Conference of 1889 and the Convention of Saint Germain of 1919 with a convention to suppress the slave trade and to bring about the abolition of slavery in all its forms. President Coolidge sent this convention to the Senate on Feb. 25, 1929. It was ratified at once. Thereafter, the United States took a particular interest in the League's investigations of conditions in Liberia, going so far as to be officially represented on the committee appointed by and responsible to the Council of the League.

The United States, in 1921, however, had declined the invitation to the first conference on communications and transit at Barcelona, presumably because it was called by the Council of the League. Prominent Americans, both private citizens and public officials, participated in subsequent conferences upon the many questions which related to international communication and shipping. Americans, moreover, have made sig-

nificant contributions, notably in the investigation of the traffic systems of the Rhine and the Danube.

In 1927, the United States sent an official delegation to the third general conference on these problems. Consistency of policy was maintained, since a State could belong to the Transit Organization while not a member of the League itself, and the United States was not even a member of the Transit Organization. So its official representatives could sit comfortably in this conference and give a clear-cut example of American cooperation with the League in non-political and humanitarian service to the world.

Though less arresting to public attention, the work of the League's International Committee for Intellectual Cooperation has nevertheless been notable. Americans of world-wide reputation have contributed both to its general organization and in such undertakings as development of inter-university relationships, coordination of libraries, international exchange of publications, bibliography, studies in international relations, philology, instruction in the aims of the League, and other activities.

A direct outcome of the Financial Conference at Brussels in 1920 was the creation of the Financial Committee of the League, in conjunction with which important conferences and special commissions have dealt with projects for reforms by financial legislation and with practical problems demanding immediate solution. American experts have taken part, either as private citizens or as official representatives acting in a consultative capacity, in deliberations upon double taxation, evasion of taxes, banking statistics and the production and distribution of gold. In 1923 and 1924, other eminent Americans, acting as private citizens, undertook particularly difficult tasks for the League. The Council appointed one as trustee of the Austrian loan and another as High Commissioner for the financial reconstruction of Hungary, while a third presided over the commission which settled the dispute between Poland and Lithuania over Memel and the lower Niemen River.

The Hoover administration in April, 1929, risked the accusation that it was involving the United States with the League by sending an official delegation to attend the Conference on the Counterfeiting of Currency. Neither Switzerland nor the United States could definitively promise Federal legislation to enforce the League convention where matters lay within the jurisdiction of their cantons or States, but there was little difficulty in arranging the matters of extradition and reference of disputes to arbitration. It seemed fitting, nevertheless, for the American Minister to Switzerland to withhold the signature of the United States at the close of the conference, expressly stating that his country reserved the right to sign later, with full rights as a signatory State. On July 20, 1929, accordingly, the United States signed the convention, but as it did not sign the final act of the conference, it thus technically maintained its position outside the League of Nations.

The League Assembly in 1924 began the consideration of a matter in which the United States had long been interested—the codification of international law. A committee of jurists, among them the president of the American Law Institute, having determined upon seven subjects for discussion by an international conference, the United States agreed in 1926 to enter the negotiations with regard to four—nationality, territorial waters, diplomatic privileges and immunities, and the re-

sponsibility of States for injury in their territories to the person or property of foreigners. Then, in 1930, an official delegation from the State Department with technical advisers attended the First Codification Conference at The Hague. The positions taken by the countries represented there, however, were so diverse regarding nationality, territorial waters, and the responsibility of States—the three subjects discussed—that no definitive agreements could be obtained.

Four conventions were drawn up on the conflict of laws on nationality and the problems of expatriation, but as these conventions were not entirely acceptable to the United States, its delegation refused to sign them. The State Department explained later that the major objections rested upon the fundamental right of expatriation which the United States recognized, whereas other countries did not, and upon the fact that American law did not differentiate between men and women in matters of nationality. The United States, however, did sign the convention to protect persons of so-called double nationality from military service, which would apply particularly to Americans of alien parentage who happen to be temporarily in the countries of their national origin. To the League's inquiry about another conference, the Secretary of State replied on June 23, 1931, with specific suggestions regarding procedure and the opinion that the steps initiated in 1924 should be continued. Clearly the policy of the United States in this case is cooperation with the League.

Difficult as it is to draw the line between the economic and the political in international relations, the United States has devised distinctions, particularly for technical subjects. Since abandoning the initial attitude of trying to ignore the League of Nations, the United States has participated freely in deliberations upon international economic questions. Not only Americans acting as private individuals but official delegates of the government have engaged in conferences and committees under League auspices. In 1923, the consul at Geneva with technical advisers from the Tariff Commission, the Treasury Department, and the Bureau of Foreign and Domestic Commerce attended in consultative capacity the Conference on Simplification of Customs Formalities which considered such subjects as publicity for tariff schedules, equal treatment in foreign ports, and commercial arbitration. In 1926, an American private citizen took part in the work of the League's committee on bills of exchange.

In 1926 also a group of well-known Americans sat with the Preparatory Committee for the International Economic Conference, and in the following year, the United States was officially represented at this conference by an imposing array of private citizens and public officials, who approved its resolutions, and especially that which declared that the time had come "to put an end to the increase in tariffs and to move in the opposite direction." But, as there were other non-member States represented and the conference framed resolutions only, the official detachment of the United States from the League was not legally compromised.

As a result of this conference there came in the Fall of 1927 the Diplomatic Conference on the Abolition of Export and Import Restrictions. The United States, once more officially represented, accepted a convention to abolish all import and export prohibitions and restrictions except those established for public security or for

moral and humanitarian purposes, public health, control of infectious diseases, protection of national treasures, or for regulation of the traffic in arms, or control of currency, and similar purposes. Another conference in July, 1928, framed a supplementary agreement; on Sept. 19, 1929, the Senate ratified the convention. A third conference in December, 1929, which a diplomatic officer attended on behalf of the United States, reached an agreement bringing the convention into force among Great Britain, Denmark, Norway, the Netherlands, Portugal, Japan and the United States.

Still another conference growing out of the International Economic Conference of 1927 received recognition from the United States. The chief of the Division of Statistical Research in the Department of Commerce and technical advisers attended the Conference on Economic Statistics at Geneva in 1928. Its convention, however, was not signed by the United States. In the meantime, prominent Americans acting privately, had become members of the League's Economic and the Economic Consultative Committees, while others, both private individuals and public officers in advisory capacity, were participating in the work of economic conferences of the League having to do with such problems as the treatment of foreigners, concerted economic action, agriculture, agricultural credits, protection of the whaling industry, marks of origin, and bills of exchange, promissory notes, and checks.

As a result of American initiative, a naval conference met at Geneva in 1927 and its failure led directly to the more successful London Conference in 1930. Meanwhile, the League of Nations had been at work upon the interrelated problems of disarmament and security for vulnerable States in accordance with the Treaty of Versailles. The Permanent Advisory Committee and the Temporary Mixed Commission began their deliberations soon after the organization of the League. Once again American citizens participated in private capacity. But, by reason of the traditional policy of seeking world settlements through arbitration, as well as the recent success with the Washington Conference, the United States felt a particular interest in the movement for disarmament. It therefore instructed the Minister to Switzerland and a technical adviser to join, in an advisory consultative capacity, the conferences of the Temporary Mixed Commission in 1924. An official delegation took part in the International Conference on the Traffic in Arms in 1925 and signed for the United States two conventions—one regulating the traffic in arms, the other prohibiting the use of poison gas.

The United States, however, would have nothing to do with the League's efforts to establish security in Europe by the regional Treaty of Mutual Assistance in 1923, the general Protocol of 1924, or the Locarno Pacts of 1925. These were concerned primarily with European affairs and were based upon the indirect method of limitation by political assurances of security to vulnerable States. But when, in 1926, the League set up a preparatory commission for a general international conference on disarmament, the United States sent another official delegation headed by the Minister to Switzerland. He was instructed to seek limitations upon naval construction, following the precedents of Washington, regional rather than universal agreements, and direct curtailment of military forces apart from the political questions of security.

Although the American representa-

tives could not join in any report to the Council, since the United States was not a member of the League, they played an active part in the Preparatory Commission. In November, 1930, they agreed with all other members of the commission, except the Soviet representatives, in approving the plan for a permanent disarmament commission which should have continuous supervision over armaments. Provisions for this commission were to be included in the treaty to be drawn at the International Conference on Disarmament in 1932. That conference has yet to draw up a treaty or to prove itself only one more abortive effort on the part of the nations of the world to reach agreement with regard to armies, defenses, and instruments of war.

The United States from the days of the *Harding régime* to the present has preferred to pursue an independent course toward eliminating war by an international pact rather than to adhere to conventions and protocols adopted under the auspices of the League. Under the leadership of Secretary Kellogg, the United States joined with France to establish the Pact of Paris of 1928 binding the signatory powers to renounce war as an instrument of national policy and to settle all conflicts and disputes of whatever origin or nature only by pacific means. Practically all the important nations of the world either signed or have since adhered to this pact. Regardless of the uncertainties as to what is self-defense or aggression or pacific means, this pact has so far been regarded by the United States with the utmost seriousness. Upon it, quite as much as on the Nine Power Treaty of 1922 concerning China, President Hoover and Secretary Stimson based their efforts when they brought the United States into close cooperation with the League of Nations for the purpose of settling the controversy over Manchuria.

The American Consul General at Geneva was instructed on Oct. 16, 1931, to participate in the discussions of the Council when they related to the possible application of the Pact of Paris. The following month, the Ambassador to Great Britain joined with members of the Council at special meetings in Paris to determine the policy of the League and the United States as Japan's course in Manchuria became increasingly difficult to reconcile, not only with the interests of China as a fellow-member of the League and with the purposes of the League itself, but also with Japan's commitments under the Pact of Paris. And now the Roosevelt administration has instructed the American Minister to Switzerland to participate continuously in the League's Advisory Committee on Manchuria.

Another aspect of American relations with the League has been connected with the World Court. In the Summer of 1920, Elihu Root, a prominent Republican and framer of his party's platform in the campaign then under way, was in Europe working upon the statute for the World Court. From him the Republican campaign received its emphasis upon the non-political aspects of the proposed court and upon the advantages and safeguards in a juridical system. Although then and later many Republicans could not refrain from criticizing both the League and the Court, Republican Presidents during the next twelve years favored American adherence to the World Court.

In February, 1923, President Harding submitted a proposal for membership to the Senate. But it was delayed by the Committee on Foreign Relations until May, 1924, and then it was

not ratified by the Senate until January, 1926. It added five reservations. Four, essentially those of Secretary Hughes, stipulated that there should be no legal relation of the United States with the League, that the United States should act with the Council and the Assembly in the election of the judges, that the United States should pay its share of the expenses of the Court, and that there should be no amendment of the statute establishing the Court without the consent of the United States and it should retain the right of withdrawal from the Court at any time. The fifth reservation declared that the Court could not, without the consent of the United States, give advisory opinions at the request of the League Council or Assembly upon matters in which the United States had or claimed an interest.

This reservation raised the issue whether the United States was to join in asking advisory opinions of the Court as the equal of each and every nation in the League or as the equal of the League as a whole. Secretary Kellogg declined to send American representatives to the conference at Geneva in September, 1926, which was called to consider the reservations of the United States. Neverthless, that conference accepted all the reservations except that concerning advisory opinions. Even it would have been accepted if it could not have been taken as meaning that the United States would be placed in a position superior to other parties in asking the Court for an advisory opinion.

So the matter rested until February, 1929, when Secretary Kellogg asked that the discussion be reopened. Elihu Root, the unofficial American representative on the Committee of Jurists studying the problem, devised a formula that proved acceptable both to the League and to the Hoover Administration. On Dec. 9, 1929, the American Minister to Switzerland signed an agreement that the United States, upon becoming a member of the Court, might object to its giving an advisory opinion in specific cases; that, if the United States so objected, there should be an exchange of views between the United States and the Council or the Assembly of the League concerning the matter; and that, if no agreement upon it could be reached, the United States might withdraw from membership in the Court without being considered unfriendly or unwilling to cooperate. In 1930, President Hoover laid this solution of the problem before the Senate, but it has yet to take final action.

Thus the American policy of rebuffing the League has given way to cooperation in frequent and consecutive conferences on matters of international concern. But this does not alter the fact that the United States is still outside the League. Increasing participation with the League in world affairs does not mean that the United States is ceasing to maintain the tradition of American independence.

The College Girl: 1933 Model

By Alzada Comstock

[As Professor of Economics at Mount Holyoke College, Miss Comstock has had abundant opportunity to observe recent changes in the manners and outlook of the students in women's colleges.]

ANNUALLY, as the leaves turn and the evenings begin to draw in, hundreds of magazine writers descend upon the American colleges. Secure in a public interest which has not wavered since Tennyson wrote *The Princess*, they ask brightly, "What do you think of the college student of today?"

If we are to believe the things these journalists write when the visits are over, many a benevolent old college professor waggles his long white beard and answers, his voice trembling with age and altruism: "Just the same. * * * Just the same. * * * The same fine girls (or boys) that they used to be. Perhaps skirts (trousers) are a little longer (shorter) than they were when I was a freshman here. * * * But fundamentally I find them the same fine, frank, generous young women (men) that I knew when I was young." All of which is rank nonsense. Is a bank clerk today the same kind of fellow that granddad knew when he was a boy? Has a farmer the same ideas as the man who was raising wheat in 1918? Of course not. The manners of our whole country and its people change as the years pass. Motor cars and airplanes alter our speech and habits. Depressions arrive; NRAs succeed depressions, and our behavior alters accordingly. College girls, like every one else, move with their changing world.

Even the appearance of the college girl has been modified with education's coming of age for women. Femininity has returned. The gentler graces are not, to be sure, very conspicuous in the Monday-to-Friday clothes of the girl who scuffs along the walks of the Eastern women's college. On the campus she wears black-and-white sport shoes, with or without socks, a dress which was meant for the tennis court, or a jumper born for the golf course, and one of those flopping brown coats which an English visitor recently mistook for bathrobes. But when, on Friday afternoon or Saturday morning, she goes forth into what she still likes to call "the outside world"—and thousands do go forth—she is smartly dressed from the peak of the little hat, tilted over one eye, to those fragile matching shoes which click so briskly on the pavement. Her make-up is slight but careful, for she leaves the heavy color work to the young matrons who are beginning to grow plump and who spend their afternoons at bridge clubs. Thus, unrecognizably tidy, the college girl leaves for a week-end at New Haven, or to meet dad in New York, or for a conference of the Intercollegiate Union for Promoting X, Y or Z.

Her life, even through the week, has changed in these last few years. The "isolation of the college" is a phrase which retains a meaning only for magazine writers who spend an afternoon in a dean's study—with the dean's secretary keeping everybody else out—and depart to "write it up."

From the set of sun until as far into the night as the local curfew permits, a women's college campus is thick with young men who have arrived in open cars from anywhere within a radius of a hundred miles. At the same moment groups of carefree young women burst from apparently empty houses. Everybody seems to know everybody else. They drive, dance, play bridge and lesser games, walk, talk. Next morning the girls appear at classes in the same old knitted jumpers, with the day's translations done and neat typewritten papers ready to hand in. How they have managed it nobody knows.

The college girl of today spends less time discussing life and its problems than her sister of the class of 1913 or 1917. The decisions which she makes have put on new and simpler faces. Not many college generations ago each girl had a great socio-personal problem to settle: Marriage, or —a career! Many were the gas jets which burned far, far into the night as the alternatives were discussed in principle and in practice. The career usually won, at least in theory.

In the prosperous late 1920s the dilemma disappeared. Those were the golden years—remember?—when it seemed that for every graduate of the women's colleges there was waiting around the corner a bond-salesman husband, a honeymoon trip to Europe and a three-car garage. There was little talk of careers and professions in those days, even by girls who through preference or necessity were entering them. One did it, but one did not philosophize. Femininity was beginning to come back. Feminists, on the other hand—by now the word was only a racial memory, though the concept persisted—were seen as queer, suppressed women.

But in the 1930s, the after-college-what?-problem has returned. Marriage is still regarded as the natural and desirable vocation. But the question is, how is it going to be financed? The younger brothers of the men who made such satisfactory bond-salesman husbands are training for the professions, and there are many long years through which their fiancées must wait for even a one-car garage. On one side or both there are loans to be paid and younger children to help educate. The first after-college need is income. So, without either orations or heart-burnings, the college graduate of 1933 has gone job-hunting. Of course there are few jobs to be found and those which exist are poorly paid. But she has gone out cheerfully, without any of that discouraged wailing, "The modern world has no place for me," of which we have heard so much from her German contemporaries.

Once in a while a girl who was graduated in 1933 actually obtains a position. In that case she is almost sure to be more modest than the college girl of five years ago, less sure that the world is waiting open-armed for her on account of her superior education and intelligence. I quote from two letters which have come within the last few days: "It's a grand job, and they say I can go as far as I like. Of course, it was only luck that I ever got it. Father happened to meet Mr. So-and-so just when he needed somebody * * *." "I really don't deserve this job. I told you, didn't I, that I got it through influence? It gives me a queer feeling to realize that anybody else could do it as well * * *."

With this new and becoming humility goes a realization that professional life is a competitive struggle, and that in the difficult existence of the fifth Winter of depression a convic-

tion of superiority would be a poor substitute for hard work. Promotion must be considered, too, if college loans are ever to be paid. In short, the college graduate is on her way toward becoming a more industrious and more ambitious employe.

Even while she is still in college, the girl of the depression generation is developing a new seriousness, or, better, reverting to an interest in the world about her which no college generation since the end of the World War has acknowledged. America's playtime is over. A girl does not need the college to tell her that, for in nine cases out of ten the shrinking resources of homes and home towns made it clear before she entered the academic grove.

The senior of the class of 1934 works no less ably in the field of English poetry or organic chemistry than the girl of five years ago, but she has added an interest in economy and political affairs which is apparently spontaneous. No professor of economics is now surprised to be waited upon by a student committee asking for a public lecture on inflation, for example; nor, having agreed, is he surprised to find the lecture well attended. The lists of subscribers to *The New York Times* and *New York Herald Tribune* alone would be an eye-opener to some of the good ladies who have written eloquently about the isolation of the colleges. On many desks CURRENT HISTORY lies beside *The New Yorker*, and *Germany Enters the Third Reich* on top of *Anthony Adverse*.

Sweet are the uses of adversity to education. Now at last it can be told that some of the trials of the women's colleges in the years of our greatest prosperity were almost past bearing. In the 1920s all was very, very quiet on Parnassus. For both boys and girls the colleges had been translated into finishing schools for the prosperous. It was socially as necessary to have been to college as to have seen Westminster Abbey or the Arc de Triomphe. But, except for the by-products, it was in many cases a dull duty, hastily and casually performed while the heart was elsewhere.

In that barren decade it did not often appear to the American college woman that a college might be a place of pleasant retreat—the last, in fact, that life ever offers to most people—for reading or writing or painting or tinkering with test tubes. No. She panted up at the last possible moment, with the intention of beating the secretary or registrar by a few points in the game of getting students back for the first class of a term. As the gong sounded at the end of that term she rushed away in a racing taxi with a chorus of six-year-old whoops. As for what happened between the first gong of the term and the last, that was up to the professor. His duty was to entertain and to be smart about it. The teacher who could not keep awake the student who had returned on the morning milk train after a week-end at Cambridge or Hanover was an incompetent. The student's duty was limited to punching — metaphorically — the time clock, sitting in her classroom seat with a critical attitude toward the entertainment offered, and at last fulfilling the minimum for the degree which, like the foreign labels on her suitcase, would prove that she had been places and done things.

There appeared, in those years of our prosperity, a widening gap between the passive attitude of American students and the restless, searching curiosity of their English and Continental contemporaries. Strange, too, because American students met these

queer energetic European creatures in Geneva, at International House in New York, and at international conferences in their own colleges, and marveled at the foreigners' interest in politics, languages and literature. But there it ended. The American girls returned unchanged to their small rounds, where the study of languages was taboo, if it was "too much work" or "too dull," where literatures were to be explored only if and when the professor was "fascinating," and where politics and economics began and ended with the courses without long papers.

No intelligent educator believes that the intellectual aridity of the late 1920s was the result of original sin or the degeneration of American youth. It was simply that in those years we—Americans in general—were all too rich and sleek and snugly berthed. Mental activity, contemplation, analysis and criticism were not necessary for successful existence outside college walls; so, once inside them, why bother?

By a curious paradox, in these years the quality of the students in the women's colleges was improving. Beating upon the gates of each of the major colleges of the East were four or five times as many girls as the dormitories and classrooms could hold. The colleges could pick and choose; they did, and very skillfully, too, with the result that in the eight or ten years before 1932 any girl who was admitted to one of these colleges was almost guaranteed to have an extremely high intelligence quotient and excellent preparatory school training. But a considerable number of the girls who rode into the colleges on the wave of the new prosperity came from families which saw the institutions more as a social than as an intellectual opportunity. To these girls, once admitted, many of the college duties looked dull and without much relationship to the bond-salesman husband of the future. As a result more and more of the effort of what was still known as "getting an education" devolved upon the professor. It was not always easy, in that barren decade, for a college teacher to follow the star which in happier times makes teaching a delightful voyage of discovery. It is one thing to explore a new field or to resavor the delights of a familiar one in the company of active and sturdy young minds. It is quite another to realize that the professor's desk is regarded somewhat as a talking picture which, if there is not snappy action every few feet, will be poorly attended tomorrow.

Now all that is passing. The background of the average college girl of 1933-34 is less snug and the future more uncertain. Bill-paying fathers are tightening their belts and sending to college only the girls who evidence positive and active intellectual interests. Those who show less interest and energy are being left to shift for themselves. Meanwhile, at home and in the business world, physical and mental work is becoming fashionable again. And in the colleges intellectual activity is returning to its own.

The college girl of today is heir not only to the excellent traditions of women's education but also to a special battery of devices for stimulating her interest, devices which reached their full development in the years when women's colleges—and men's as well—faced the problem of stimulating the intelligent but inactive products of America's boom period. I refer to honors courses, tutorial teaching, independent study courses and all the related attractions through which creditable intellectual activity was aroused in young people who did not

rise until the hook was nicely baited.

Honors courses, for example, usually mean that a girl who has a high standing in college can be freed, if she wishes, from the routine work of a certain number of classes in her junior or senior year and allowed to devise an independent program along some line for which she has shown special aptitude and liking. She almost always has the help and advice of a particular instructor, who may in practice be one of the better-known professors. This departure is justified on the ground that the superior girl has a right to be liberated from the lock-step of the average and below-average girls in her regular classes and permitted to work independently in her chosen field. Practically, it means that the unusually able girl has the opportunity to work up to her ability. It also means that she is likely to develop a special interest, even in those college days which her friends at home think so standardized and regimented, which will enrich her life for many years.

Criticism of these paths to freedom which lie before the college girl of this generation is as likely to be well received in the Eastern liberal-arts colleges as an attack upon monogamy or the American Constitution. But it is quite possible that the last word in liberal education has yet to be said. The girls of unusual ability, who have been set free from routine work, have not always shown a gain in independence. This was especially true of some who were bred in the passive tradition of the prosperity period. They were glad enough to be freed from classroom association with their duller friends, but they came to depend more and more upon the professors to whom they were assigned. Certainly it cannot be claimed that the goal of intellectual self-reliance has been reached so long as systems are encouraged under which intellectual interest can be maintained only with the continued help of a single person. It is possible that honor work, tutorial teaching and the like, honestly viewed, will be seen to have brought a return of the kind of spoon-feeding with which our colleges should have finished long ago.

These new educational devices are so expensive in time, effort and money that it is doubtful whether they can survive untouched in the lean years in which we are now living. Either the instructors spend so many hours of work on behalf of three or four girls that the rank and file are slighted, or the schemes cost the college a lot of money for extra instructors. In both cases modifications are in sight.

But whatever the economies these next years may entail, the college girl of 1933-1934 still has all the opportunities for following the lines of her own special interests which were open to her predecessor of five years ago. In addition she has the immense advantage of a livelier intellectual curiosity and a more responsible attitude toward life. She has, in short, the best of the era which is passing and some very good things from that which is coming. The chances are that she will make a pretty decent sort of citizen.

The Economics of the Slums

By EDITH ELMER WOOD

[The author of the following article is a recognized authority on housing. She is a consultant to the Housing Division of the Public Works Administration and is the author of several studies of which the latest is *Recent Trends in American Housing*.]

AMERICAN society has long stood indicted for its failure to solve the problem of housing. Though the upper middle class does not want for comfortable, convenient and modern homes, the remainder of the population is not so fortunate. Fundamentally, though other factors are present, the problem is one in economics which arises from the gap that exists between the cost of modern housing and the income of the mass of the American people.

During periods of normal employment, a third of the nearly 30,000,000 American families can afford new or good-as-new homes. Another third occupy the fair-to-middling, somewhat shabby, partly out-of-date buildings, while the remaining third must be content with the oldest and most dilapidated structures whose only merit is cheapness. Though these three groups cannot be sharply separated, their outlines are sufficiently clear for the purposes of this discussion. The first and most prosperous group is almost unconscious of a housing question since it does not itself lack proper shelter. But the other two are ignored by the operative builders; it is the plight of these that constitute the housing problem.

The American worker's standard of living, compared with working-class standards in other countries, has been regarded as exceptionally high. In term of money wages and food, clothing, second-hand Fords, radios and other near-luxuries which his wages would buy, this has been true. Recently, however, it is beginning to be understood that public housing projects and the protection of social insurance afforded in many European countries tend to outweigh the apparent advantages enjoyed by Americans. Certainly in the matter of housing the American worker is worse off than many of his European brethren. Perhaps 10,000,000 homes in America, if judged by standards of decency, should be scrapped. But remedies are not easy to find, nor do they fit into the American tradition of individualism.

A uniform increase of wages would do little, if anything, to improve the housing of the wage earner, for building costs and rents, even of old houses, would rise proportionately. A better distribution of income would help, but it is an extremely difficult thing to bring about. It is easier and quicker in practice to reduce the cost of housing. This may be done by lowering the cost of land, of building materials, or of labor—where it can be done without reducing wages—by cutting expenses attendant on financing, by curtailing the investor's profit, or by any combination of these measures.

In America real estate transactions, building operations and money lending—especially on junior mortgages—have always been highly speculative activities. To eliminate this fea-

ture and to place the housing of a large part of the population on a public-utility basis, self-supporting but rigidly limited as to profits, would automatically bring new housing within the reach of that extensive group which occupies the middle of the income scale. This possibility has been demonstrated by limited-dividend housing under the New York State law and by public-spirited experimenters like John D. Rockefeller Jr. and the City Housing Corporation in New York, Julius Rosenwald and the Field Estate in Chicago and the Buhl Foundation in Pittsburgh.

Limited-dividend housing has never been developed in the United States on a scale large enough to show more than its possibilities. The extensive loans at 4 per cent offered by the Public Works Administration of the NRA to limited-dividend companies provide an opportunity for extensive expansion of these activities. The result will be high-grade housing at comparatively low rents. Naturally, property owners who now offer comparable housing at higher rent and those who charge comparable rent for obsolescent houses will fight the'e proposals.

In any event, limited-dividend housing alone will never solve the housing problem, because it will not affect the slums. The removal of the slums and the rehousing of those who live in them offer no profit to private enterprise. Never, either in America or abroad, has slum clearance been possible without subsidies. But now, for the first time in the United States, these are made available by a clause in the National Recovery Act which permits outright grants, in addition to loans, to slum-clearing projects which are to be carried out directly by public authority.

Special State legislation will, in most cases, be necessary to obtain these grants. Already Ohio has taken such action and the Cleveland Metropolitan Housing District, comprising nearly all Cuyahoga County, has been established. Michigan has adopted blanket legislation which is believed to cover all needs. Milwaukee probably already has sufficient power under earlier legislative acts. Massachusetts has nearly enough, but not quite. New York failed to act at the recent special session because of the rivalry between the advocates of State and local authorities. Other States will undoubtedly ask for these grants as soon as their Legislatures convene.

Slums are of many sorts and have arisen in various ways. With the coming of large-scale factories more than a century ago, workers streamed from country to town in search of employment. Since there was no place for them to live and there were almost no building or sanitary regulations, cheap housing was erected for them by speculative builders. These dwellings tended to be inadequate, even when new, and have become worse, absolutely and comparatively, with the lapse of time. This accounts for much wretched housing in New England mill towns. With few exceptions, the early mining and textile company towns were no better.

Rapid immigration aggravated the situation in America. The inadequacy of building and housing regulations throughout the nineteenth century, with the constant pressure for cheap housing by helpless newcomers who were uncritical of standards, produced the monstrosities of lot overcrowding and dark rooms which are to be found in the old-law tenements of New York, in Boston's North End, in the courts and alleys of Philadelphia, and to some extent in other cities.

Most American towns, large and small, have neglected areas, housing from 20 to 40 per cent of the population, where the shabby, huddled houses have no sewers, no paint, no bathtubs, no gas, sometimes no running water and occasionally no electric light. The fact that such areas are largely inhabited by Negroes, foreign-born persons or persons of foreign parentage does not alter their significance or the community's responsibility in regard to them.

Blighted areas, which often develop into full-fledged slums, have arisen from the rapid growth of American towns, from American restlessness, and from a lack of effective city planning. When residential neighborhoods near the business centre become noisy or dusty or are invaded by business, the well-to-do move to new land, leaving their single-family houses, for which there no longer is a demand, to be converted, however unsuitably, into tenements. Being ill-adapted, they progressively decline in the social and economic scale. Furthermore, to compensate for falling rents, rentable space is increased through additions or new buildings in the rear and side yards.

Another type of bad housing is exemplified by the shack districts so prevalent on the outskirts of Western and Southwestern towns. There are rural slums, also, one and two room cabins, without any sort of improvements or comforts, without even the most primitive of privies, sometimes without window glass. Such cabins are incredibly numerous in the South among white as well as Negro families, but are not unknown in other sections of the country. Very bad conditions, for instance, are to be found in parts of Montana, where prosperity failed to come and pioneer hardships, expected to last for a year or two, became crystallized over a whole generation.

Like so many other social questions, housing has been affected by the American tradition of individualism that was fostered by a pioneer stage of civilization. But last year's snows have not more completely vanished than our pioneer era. For a nation to persist in the cultivation of traits, the need for which it has outgrown, is as much infantilism as for an individual who has arrived at adult age to cling to the ways of his childhood. If we are going to live together successfully in tightly packed urban communities, we must learn the secret of teamwork, of cooperation, of protection for those least able to protect themselves. Individual initiative, energy and enterprise will always be precious qualities, but they must accept whatever regulation is necessary to prevent their working injury to others.

Individual liberty to do what one wills with or on one's own property has been greatly circumscribed in the interest of public welfare. We have already accepted building codes, sanitary regulations, zoning ordinances and traffic laws. So far we have gone. Certain steps we seem to be on the verge of—or indeed in process of taking. These are: That a community which has permitted slum conditions to develop has incurred a responsibility to eliminate them, even at the taxpayers' expense, and that an industrial civilization, resting on a certain distribution of skilled and unskilled jobs, has a responsibility to see that wholesome housing is available for those in the lower-paid occupations.

Before the World War and during the prosperity era which followed the war, most Americans were so busy pushing ahead, building, trading, speculating, getting rich or hoping to,

that they never paused to consider the mess they were leaving in their wake, much less to clear it up. It was considered unpatriotic, un-American, lacking in local pride to doubt that every community was destined to grow and to keep on growing at the phenomenal rate at which some communities had grown in the past. But that rate of growth depended on immigration, which now has been checked almost to the vanishing point. At the same time, a falling birth rate has affected the natural increase in population. Even the drift from the farms to the city has encountered, since the depression, a stronger tide setting the other way. We have arrived at a period of relatively stable population. Our future growth is more likely to be qualitative than quantitative.

Zoning ordinances in the post-war years represented an effort to introduce rational planning in community development, to prevent the waste that comes from misguided individual action, whether it be the erection of a filling station among homes or a skyscraper in the midst of bungalows. Zoning is good, but since it is not retroactive, it cannot correct what careless individualism has already done. Moreover, zoning commissions have made mistakes through lack of basic information, especially in assigning too large a part of the community area for business and industrial purposes. Only recently have we learned, from careful studies in a number of cities and towns of varying size, that about 2½ per cent of developed area is actually needed for commercial purposes, and that 10 per cent covers all that is used by industry and railroading. But many communities have ten to twenty times as much land zoned for business as they will ever require for that purpose. The result is depressed real estate values; the land is spoiled for residence and is needed for nothing else.

Districts of mixed use close to the centre of cities tend to become slums or near-slums. The owners regard their present use as transitory and spend a minimum on repairs. Assessments are relatively high. But owners and assessors agree in the belief that some day the land will be wanted for high-grade business purposes. Unfortunately for this hope, business districts have nearly reached their limit of growth. Future expansion, moreover, is likely to be vertical rather than horizontal. If such areas are to be redeemed, it can be only for residential use, although redemption will be possible only after the imaginary land values have been deflated.

Meanwhile, the slum district, if it has reached that stage, is a heavy liability from every point of view. Although the tax rate upon it may be high, it costs the city more for the maintenance of streets, utilities, police, fire protection and schools than the taxes return. Thus it must be partly carried by other districts. Indirectly, it is a still heavier burden, for it absorbs a wholly disproportionate amount of the public expenditure on hospitals, clinics, poor relief, courts, reform schools and jails. These are the districts where death rates are highest, where epidemics start and from which they spread, the districts which have delinquency rates four or five times above the community average and fifteen to twenty times the rate in favored areas.

While immigration continued, the social effects of the slums were less serious. Always the latest immigrant wave, seeking the cheapest rents, took the worst housing, pushing out the

next earlier group and necessarily into something better. A few years later new arrivals would force a repetition of the process. Since the war, however, conditions have changed. Now we find living in the slums families who were born and brought up there and who have known no other home.

Clifford Shaw's studies of delinquency in Chicago show that high delinquency rates remain always in the same spots—the bad housing areas close to the Loop, the stockyards and the steel mills. Over a period of thirty years, however, the racial composition changed completely several times, from Irish and German to Polish, to Italian and Negro. These studies go a long way to disprove the assertions of landlords and other laissez-faire advocates that slums are caused by a degenerate population which would create new slums wherever transplanted. That a residuum of such unreclaimable population really exists will hardly be denied, but British and Dutch experience indicates it to be around 10 per cent of the slum population rather than 100 per cent. Dr. Shaw's studies bear out such a hypothesis.

It has been the purpose of this article to sketch the broad outlines of our American housing problem and the approach toward its solution offered by the Public Works Administration of the NRA. Let it not be supposed that success is assured and that nothing remains but the hand-clapping. The world moves fast in these days, and the issue may be decided suddenly. But meanwhile a vast undercover struggle is in progress between supporters of government aid to housing and short-sighted, selfish interests which believe themselves adversely affected by these policies. Public opinion is likely to be the deciding factor, as it has been in the case of the NRA codes. But does public opinion understand the housing question as well as the factors involved in the codes? Will it be mobilized quickly enough?

Organized real estate, including the landlord class, and organized lending interests which hold too large mortgages on rundown property are fighting the whole program. They have opposed limited-dividend housing in the past whenever it appeared to promise serious rivalry. Their hostility to the New York State housing law has been continuous since its enactment in 1926. The executive committee of the National Association of Real Estate Boards, meeting in Chicago a year ago, opposed R. F. C. housing loans and stated that the association "does not believe that limited-dividend, tax-exempt, State supervised, multi-family housing corporations constitute a sound solution to problems of slum clearance and housing development." No substitute was offered, but ever since, in nearly every city where action was proposed, real estate organizations have fought to block housing loans. Cleveland is an exception. This policy virtually paralyzed action under the R. F. C, which perhaps was not, at best, very "housing-minded." The Fred F. French project on the lower east side of New York, which had former Governor Smith's personal backing, was the only one to receive a loan. In New Jersey the building and loan associations are fighting to prevent the approval of housing projects under the Public Housing Law of 1933. Everywhere the argument is basically the same—unfair competition of the government with private enterprise.

That the housing program of the Public Works Administration is acquiring momentum, in spite of opposition, is shown by the record. Robert D. Kohn, a former president of the American Institute of Architects, was

appointed Director of Housing on July 6, 1933. Organization of the staff and of the housing division was complete by the end of the month. From the middle of August to the end of September nine projects received preliminary approval. The proposed loans range in size from $40,000 for Hutchinson, Kan., to $12,000,000 for Cleveland. Three projects are located in Greater New York—Brooklyn, Queens and the Bronx—and the others are in Boston, Philadelphia, St. Louis and Indianapolis. The Kansas experiment involves an approach to the subsistence farm idea, since it consists of twenty small houses, each on a two-acre plot. The Cleveland and Indianapolis plans involve slum clearance. The Philadelphia project is a cooperative initiated by a labor union.

One point private enterprise has a right to insist on—that housing erected with government loans at low interest rates, and still more any housing which receives the 30 per cent free grant, should be used exclusively b families who cannot pay more tha the resulting rent. A rental of $25 month is appropriate to a family wit a monthly income of $100 to $125. A rental of $40 fits an income betwee $160 and $200. If we permit bargain hunting families with $4,000 to $5,00 a year to live in such buildings, w shall betray the low-income group whom we undertook to benefit an we shall give private enterprise legitimate cause for complaint.

With this proviso, all taxpayer and, in the long run, all real estat will be helped by the elimination o slums and blighted areas and by th provision of good, inexpensive housing. It is a dog-in-the-manger attitude for renting and lending agencie to try to block an effort to accomplisl what they have so signally failed t do themselves—supply suitable home to low-income families and to eliminate the obsolete housing which discredits our civilization.

The Battle of the Milksheds

By LEMENT HARRIS

[Mr. Harris, a student of agricultural economics, is Executive Secretary of the Farmers National Committee for Action. In the following article he sets forth the grounds on which the dairy farmers base their grievances.]

MILK, or its products, is the great source of cash income for farmers who live in the vast region of cold Winters and good pastures that stretches from Minnesota to Pennsylvania. Three-quarters of the farmers in this territory own cows and contribute to the white flood which pours into the cities. Even as the pulse of the South can be measured by the fluctuations of the Cotton Exchange, and of the grain States by the price of wheat, so milk prices determine the conditions of life on the farms of the Northeast.

But for too long, now, dairymen have seen their monthly milk checks grow smaller and smaller, although as much milk as ever is being shipped. Prices have fallen and have remained below the cost of production. Meanwhile, notes and taxes have come due, and, since there are no funds to meet them, the spectre of foreclosure and eviction haunts the dairy farmer.

This tragic and ruinous condition has arisen despite the great natural advantages possessed by dairymen. Milk is a perishable commodity that must be consumed within a few hundred miles of where it is produced. Thus dairy farms surround the largest cities of America—the world's finest market for dairy products—creating clearly defined milksheds which it has been easy to organize into great marketing cooperatives whose function is to make collective bargains with the milk distributing companies. With such advantages, dairymen might have been expected to have maintained a good price level for their product. On the contrary, however, long before the present economic crisis, the price the farmer received for milk hovered below the level of the cost of producton; during the last three years it has fallen even lower.

If income were measured by hours of work, a dairy farmer would deserve the highest compensation. Every day in the year he and his family must play nurse-maid to the cows. He must be up at 5 in the morning in order to milk his stock and to carry the cooled milk down the lane to a platform on the highway before the collector's truck comes by. After feeding the herd and shoveling out the manure, field work begins. Wheat, corn, oats, alfalfa and clover must be grown and harvested for Fall. Even the manure has to be carefully treasured and spread out to fertilize the next crop. At the close of the day evening milking and feeding round out at least twelve hours of labor.

No other form of farming requires such constant and unceasing work. Nevertheless, John Dairyman has discovered that he is paying for the privilege of producing milk. He has sought a profit by enlarging his herd and working his family even harder. He has listened to the county agent, who has told him to weed out the low-producing cows. He may have read the bulletins sent from the State college

which tell him of small economies that can be achieved by improved feeding, better land utilization and so on. Even so, when all costs are put down in black and white, it is probable that no dairyman, certainly none but the largest, are at present making money.

Milk producers recognize two main causes for the low prices they have been receiving: (1) Urban unemployment which has reduced milk consumption; (2) the maintenance, even increase, throughout this period of the milk distributers' spread of profit.

Smaller consumption, of course, is beyond the farmer's direct control. To be sure, he has met all the State requirements, no matter what the cost, that seek to insure the quality of milk. Though the quality is assured, less milk is consumed in the cities—a fact reflected in the growing number of undernourished children. The Children's Bureau of the Department of Labor has estimated that even in 1930 there were 6,000,000 undernourished children; undoubtedly there has been a marked increase since then.

The farmers, however, have a plan for expanding the city market—a plan which they have never been able to make effective. Milk, pasteurized in cans at central distributing points, can be distributed very cheaply. In February, 1931, the president of the Pennsylvania branch of a national farm organization offered to deliver milk in pasteurized cans for 6 cents a quart to the Philadelphia Department of Welfare; at that time the department was paying considerably more for milk in the same form. But the offer was refused, not on the basis of sanitation or refrigeration, but frankly because it would interfere with the milk distributers' business. Yet such a plan would have enlarged the market and would have made milk available to thousands who needed it.

The second cause of the dairyman's distress is to be found in the practice of the commercial dairy throughout this period of falling prices of consistently passing each cut in price on to the farmer. In fact, the spread of profit to the dealer has not only been maintained but has even increased. In the Philadelphia milkshed, for example, the price to the consumer dropped 4 cents a quart during the period between December, 1930, and January, 1933. Of this 4-cent fall, the farmer was forced to absorb 3.3 cents and the distributer only .7 cent. When the distributers accepted this small cut of .7 cent they made up the loss by reducing by 15 per cent the portion of the farmer's output for which he received fluid milk prices. Since January, 1933, the price of milk to the consumer in Philadelphia has risen 2 cents a quart, permitting the distributer to regain his .7 cent.

Published earnings of the urban dairy companies have made a consistently good showing throughout the depression. This record of profit contrasts with the tragedy on the farms and the undernourishment in the cities. Thus it is but natural that attack on the dealers' spread should become the battle cry of the milksheds.

Rumblings of discontent have many times during the past year flared into open revolt among the dairymen. The first to protest openly were the Iowa farmers who a year ago declared a holiday and blockaded the highways leading into Sioux City. Later, Wisconsin witnessed two more widespread and bitter strikes—in February and June. New York State has had two strikes; others have been threatened in Connecticut and Pennsylvania. Indeed, if one takes a map marked to show the areas of heaviest milk production in the United States, the

regions of greatest production are exactly those where strikes have been threatened or have occurred. The obvious next step, a general milk strike, is now being widely discussed.

During these struggles the leaders of the farmers' cooperatives have refused to champion the attack on the dealers' spread which the rank and file of the farmers have been demanding. When strikes were called, the official journals of the cooperatives have not hesitated to condemn these movements among its own membership. Quite logically opinion is widespread among the farmers that the leadership of the cooperatives has passed into the hands of the distributers.

Now a new force is entering the troubled scene. The Roosevelt administration, under the provisions of the Agricultural Adjustment Act, is drawing up marketing agreements for the various milksheds. The agreements, all quite similar, proposed for Chicago, New York, Philadelphia and other cities were formulated by representatives of the great dairy products companies which control 75 per cent or more of the sales in these cities, and by representatives of the farmers' cooperatives which claim to represent 75 per cent or more of the farmers. The resulting agreement, which is already effective in Chicago and Philadelphia, fixes the price which farmers receive and which consumers pay. It raises the price to the consumer, passes a portion of the increase along to the farmer and part to the commercial dairy or dealer. Thus the spread of profit of the dealer is not only preserved but increased.

Under these agreements the system of paying farmers two prices for basic and surplus milk is preserved. Basic milk is supposed to include that portion sold in fluid form. Surplus, which brings a much lower price, refers to milk sold as butter, cheese and so forth. Obviously the percentage of a farmer's milk for which he receives the basic rate is a most important factor, but this factor is beyond his control. The commercial dairy, or the cooperative, sets the proportion of basic and surplus for each farmer—a proportion which varies widely, favoring some and discriminating against others for no ascertainable reason. The farmer, moreover, has no assurance that large portions of the milk bought at the cheap surplus rate is not sold as fluid milk—with enormous profits to the dealer. This system, which the farmer has found intolerable, has been continued by specific provisions in the new marketing agreements.

Nevertheless, the farmers have made clear to the administration their objections to the maintenance of the dealers' spread and of the system of basic and surplus prices. On June 19 twenty Pennsylvania dairymen from the Philadelphia milkshed testified at the Federal hearing in Washington before the agreement was signed. Representing all the important counties, each farmer insisted that the great majority of the dairymen in the section were strongly against the proposed agreement. They declared that public interest would best be served if the price were lowered to the consumer and raised to the farmer; the commercial dairy would still enjoy ample profits. They urged that farmer representation in any agreement drawn up should not be composed of the virtually self-perpetuating officers of the big cooperatives, but should consist of a committee of working farmers, elected by mass meetings of dairy farmers in the different counties.

Several weeks after this hearing the official milk agreement was signed by

the Secretary of Agriculture and went into effect, but the original draft had been scarcely changed and none of the points to which the farmers objected was altered. When Pennsylvania dairymen learned of what had happened, the whole milkshed was aroused. Faced by the prospect of an indefinite continuation of unbearable conditions, the farmers met in many places to discuss possible action. To them the signing of the milk agreement meant that the government was determined to safeguard the golden harvest which the dairy trusts have been reaping. A strike was seriously discussed and strike sentiment grew as the Pennsylvania farmers watched their fellows in New York State, who were then fighting against the rulings of the New York Milk Control Board. Meanwhile, farmers near Chicago were picketing highways, and in Connecticut a strike was impending.

On Aug. 21, the Farmers Regional Committee, representing most of the organizations of the Philadelphia milkshed, met to consider a strike and voted unanimously to do so within thirty days unless the government took action. At the same moment word reached Philadelphia that a new Federal hearing to reconsider the milk agreement would be held—this time in Philadelphia. But this news did not reach the farmers until after their meeting had adjourned.

The second hearing was opened in Philadelphia on Sept. 11 in the great ballroom of a fashionable hotel. The ballroom was quiet during the farmers' testimony, which concluded as follows: "Mr. Secretary, we have informed you of the farmers' objections to the Milk Code. We have also stated the just demands of the farmers. Our livelihood depends upon receiving at least 5 cents a quart for all our milk ($3\frac{1}{2}$ per cent butterfat). * * * Once before, at the first hearing in Washington, twenty farmers from this milkshed journeyed there and presented their objections to the present code. Believing that you had decided against them, the farmers * * * planned to call a strike in the Philadelphia milkshed. * * * You have ordered a new hearing. If you fail us again, strike is the only weapon left to us."

A week after the hearing, on Sept. 20, the Farmers Regional Committee again gathered to consider the situation. Then it was that they decided to continue intensive strike preparations, believing that only thus could they force a new agreement which would meet the farmers' demands.

The battle of the Philadelphia milkshed is the battle of all the important milksheds. The dairy farmer's problems are everywhere the same. The two biggest commercial dairies have their subsidiaries in all large cities. If the farmers win in Philadelphia the other sheds will be encouraged to make the same stand. If defeated in the Philadelphia milkshed, the farmers' next move will be joint action of a number of milksheds. At the moment of writing, a Pennsylvania farmer is in Northern Ohio attempting to secure the cooperation of the dairymen there.

The farmer, so much of whose life is spent patiently doing long, laborious jobs like plowing, harrowing, seeding, cultivating and harvesting, has developed a deep-set habit of carrying out any job he undertakes. In this instance he has set his face in the direction of reducing the middleman's profits and at the same time of protecting the consumer. He believes his purpose is just. No matter what organized opposition he may encounter, he will fight along this line until his is the victory.

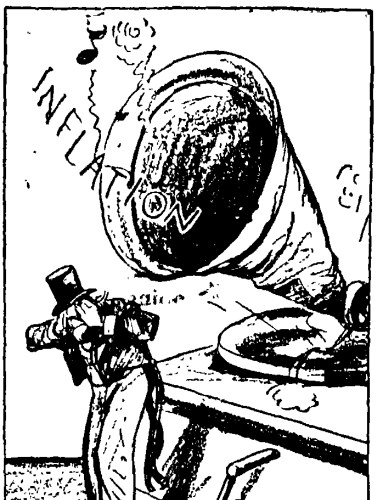
Current History in Cartoons



Now, everybody! All together!
—St. Louis Post-Dispatch



Maybe it's stuck or something
—New York Herald Tribune



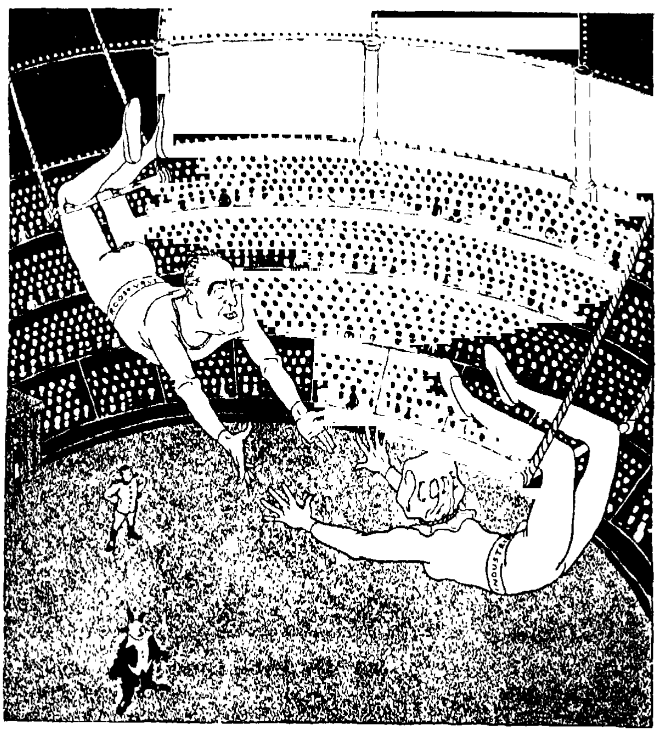
The siren song
—Baltimore Sun



Old Man River keeps rollin' along
—Cleveland Press



Came the dawn
—or did it?
—Glasgow Record



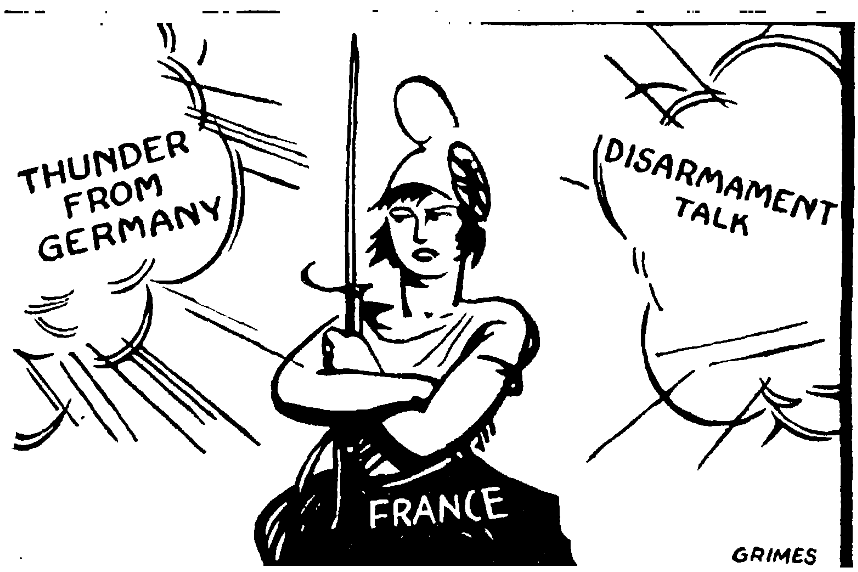
The death spring. Sensational performance of Roosevelt's eccentric troupe.
—De Groene Amsterdammer



"Doc! I'm a lot worse than when you last saw me"
—*Baltimore Sun*



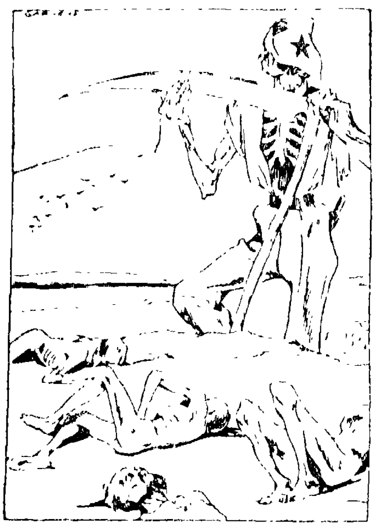
A dangerous spirit over Europe
—*Izvestia,* Moscow



Stone deaf—in one ear
—*Star,* London



The Ardent Wooer—"Be mine, and I will make you rich and happy"
The Maid—"I think you'd better go away. Father doesn't like your shirt"
—*Glasgow Record*



Russian harvest, 1933. "So deeply rooted is the idea of communism that even starvation hits them collectively
—*Kladderadatsch*, Berlin



One good revolution deserves another?
—*Boston Evening Transcript*

A Month's World History

Disarmament: A New Phase

By ALLAN NEVINS
Professor of American History, Columbia University

WHILE the city of Geneva during September was preparing for the international meetings of the Autumn, representatives of Great Britain, France, Italy and the United States gathered in Paris and laid plans to focus the world's attention in earnest on the League of Nations. The Disarmament Conference, which has in recent years been a forum for so many of the enmities of resurgent European nationalism, was scheduled to reopen, after a four-month vacation, on Oct. 16. And, as every foreign office in Europe knows, unless some agreement is reached at this session the hope of genuine arms reduction is likely to suffer a complete eclipse, and the nations will probably take another long step back toward the discredited system of armed alliances and secret diplomacy.

During the seventeen months of its life the Disarmament Conference has proved that none of the practical politicians who attend the League sessions desires to lessen the military strength of his own country. The conference has actually seemed as impotent as a college debating society. That it has been suddenly lifted out of this academic lethargy has been due to French initiative. The reason for French action, of course, lay in the emergence of a new Germany, militantly ready to defy certain parts of the Treaty of Versailles.

As early as last Autumn, even before the advent of Hitler to power, the German Government, through Foreign Minister Baron von Neurath, warned the Disarmament Conference that unless the Reich were permitted equality in armaments she would withdraw and wreck the conference. Prime Minister MacDonald, who has always been inclined to do justice to Germany's claims, persuaded the other powers to admit the principle of German "equality" in the draft convention of last March. At that time the German position seemed logical. If the nations which had promised to reduce their armaments under the Treaty of Versailles failed to live up to their obligations, there was no justice in forcing Germany to remain disarmed under the same treaty. To meet the emergency the leaders of the conference expected to agree at the next session upon enough limitations to fulfill, at least on paper, the disarmament clauses of the peace treaties.

But in the meantime Adolf Hitler, having placed himself at the head of the German Government, was not at all in the humor to wait upon the slow processes of negotiation at Geneva. Across the Rhine France witnessed the manifold evidence of a new and

defiant mood in Germany. When Premier Daladier received Great Britain's emissary to the Paris conversations toward the end of September, he possessed elaborate secret service proof that Germany was rearming as fast as she could. But instead of submitting this evidence to the conference in Paris, Premier Daladier and Joseph Paul-Boncour, his Foreign Minister, offered a new proposal for dealing with the question of disarmament. In outline, this new plan called for an international commission to inspect and, to some extent, to supervise armaments in each country during the next four or five years. At the end of this period, on the basis of practical experience, the nations would take up the question of actual disarmament with the hope of "standardizing" all armed forces at lower levels than exist today.

The United States, represented by Ambassador Norman Davis, President Roosevelt's roving diplomatic representative, indicated its assent to the French plan, provided one all-important alteration were made. Together with Sir John Simon, the British Foreign Secretary, and Ambassador Count Pignatti de Custoza, Italy's representative, Mr. Davis demanded that actual disarmament should accompany rather than follow the period of supervision, and that it should begin at once rather than be postponed for the decisions of another world conference four or five years hence. During the three days of conversations in Paris the most remarkable token of progress was France's evident sincerity in trying to reach some practical agreement with Great Britain, Italy and the United States. The French representatives seemed willing to conciliate, perhaps to compromise. The German leaders and press, always ready to accuse France of blocking disarmament, sneered at the French plan as another scheme to evade the issue. Nevertheless, there was no doubt among observers in Paris that Daladier and Paul-Boncour, alarmed by the strength and temper of the Nazis, were ready to attempt a real settlement of the arms question.

Since the Paris conversations were secret, it was impossible to do more than make a shrewd guess as to their success. From the French point of view, M. Paul-Boncour had not succeeded in his strategic effort to unite the four powers in their attitude toward Germany. Italy showed uncertainty, refusing to abandon either her declared championship of prompt disarmament or her friendly relations with Hitler. Ambassador Davis made it plain that the United States, while keenly interested in the limitation of armaments, is inclined for the present to let Europe take care of her own affairs. Great Britain was definitely closer to the French position, but by no means in full agreement. At the end M. Daladier let it be understood that the conversations between the four nations had reached such an auspicious stage that he believed a united front would be presented in the negotiations with Germany at Geneva. But the following day Sir John Simon, arriving in Geneva for the meeting of the League of Nations Assembly, proceeded to give currency to exactly the opposite impression by assuring Baron von Neurath that nothing had been done behind Germany's back and that no united front was planned against her.

The Fourteenth Assembly of the League, which was brought to order on Sept. 25 by its president, Prime Minister Johan Mowinckel of Norway, faced a number of difficult questions which it wished to sidestep and the usual budget of lesser problems to be

disposed of in committee. More important than any of its public discussions were the private conversations which prolonged and extended the disarmament talks in Paris. It was plain that the prime ministers and foreign ministers honoring the League with their presence meant at last to get somewhere with their task and to have some plan ready for the "Bureau" or steering committee of the Disarmament Conference when it met on Oct. 9. War talk rumbled uneasily through the corridors and committee rooms, and the apprehension was expressed in realistic terms that Nazi Germany might prove to be a replica of the Germany of 1914. Prime Minister Mowinckel in his opening address to the Assembly gloomily depicted a Europe "torn and divided, where the words equality and fraternity are relics of a bygone age," and pleaded with emotion for a return to the principles laid down by Germany's great peacemaker, Gustav Stresemann.

As the President of the Assembly thus recalled the bygone day of a conciliatory Germany, he could not suppress an inclination to glance toward the German delegation. There in the front row sat the man who, next to Hitler, best epitomizes the Nazi doctrines, Dr. Paul Josef Goebbels. A short, slender man with a clubfoot, known all over Germany for his vitriolic eloquence, he is probably the cleverest tactician in the government, in which he occupies the post of Minister of Propaganda and Public Enlightenment. Hitler had charged him at Geneva with the task of explaining Germany to the world and telling it of the Fatherland's new-found pride and ambition.

The universal antagonism of the League delegates and newspaper men had doomed this mission to futility, but Dr. Goebbels had the satisfaction of knowing that he was the focus of attention whenever he made his appearances. These were invariably managed with the instinct for the dramatic which is typical of Nazi propaganda. At the first meeting of the Assembly he arrived with his colleague, Baron von Neurath, whom he allowed to precede him into the building. Thereupon, as he stepped from his car, six athletic young Nazis, some with faces marked by duelling sabers, closed in upon him, formed with military precision a flying wedge, and bore him through the crowded lobby to his seat inside the hall. The scandalized delegates muttered that it was the first time that any one had come to the League with a bodyguard.

The disarmament policy of the German delegation, directed by Dr. Goebbels from his hotel, proved almost at once to be a waiting game. Baron von Neurath, who represented Germany in the conference room while Dr. Goebbels remained behind the scenes, was strictly non-committal as to what his government would accept in the way of arms control under the French plan and as to what it intended to demand in "equalizing" armaments. In Berlin earlier in September Baron von Neurath had stated the official German view of disarmament. The Reich, he said, wants nothing but peace; it is the other nations that are highly armed and refuse to reduce their military establishments.

But this high moral tone deceived no one. The conferees at Geneva began their talks on the premise that the Hitler Government has achieved a measure of rearmament and wishes to go still further. The real points at issue were two: Shall Germany be forced back to the Versailles treaty military level, or be allowed to keep the arms she now has and even add a

little more? Shall Germany accept any effective international military supervision? On the first of these questions the representatives of France, Italy and Great Britain seemed hopelessly at odds. During five days of heated discussion they reached no agreement. Dr. Goebbels, watching with his peculiarly irritating grin, evidently thought it good policy to wait until the participants had plunged the whole rearmament issue into a hopeless muddle.

Although there were some minor disagreements between France and Great Britain, the principal creator of discord was Italy. Ignoring the spirit of the French plan, Baron Romeo Aloisi, speaking for Mussolini, submitted a proposal that Germany's demand for the weapons forbidden her at Versailles should be satisfied by the grant of "samples" of them as "defensive" armaments. This scheme, which would implicitly sanction Germany's illegal military activities during the last few months and give her almost sufficient ground for complete rearming, infuriated M. Paul-Boncour. In a private conference with Baron von Neurath he rejected the Italian proposal and uttered a stern warning that France would never sanction any German plan for military expansion. He urged the German Minister to accept a four-year control of "existing armaments." By "existing armaments" it was plain that M. Paul-Boncour meant to concede to Germany all those weapons and forces that she has unlawfully acquired up to date. But this was not a sufficient concession for Baron von Neurath to take back to Berlin. In response to M. Paul-Boncour's vehement assertions, he made a defiant statement of the concessions which Germany would insist upon, to wit, an air force, modern tank equipment and a considerably larger standing army.

So completely were the French and Germans at variance that for the moment negotiations were halted. Baron von Neurath and Dr. Goebbels returned to Berlin, the one to seek further instructions from his government, the other to report to Chancellor Hitler upon the general temper of foreign politicians. On the day before he left Geneva, Dr. Goebbels shot his propagandist bolt. Facing 350 newspaper men in the lobby of his hotel, he read a formal statement, 5,000 words in length, which was chiefly concerned with a defense of Hitler's anti-Jewish program, but which contained a brief reiteration of Germany's pacific intentions, although it did not once refer to the League of Nations. The speech was coldly received by the press of the world, which printed only meager excerpts.

While the discussion of disarmament thus raged outside the precincts of the League, the Assembly continued placidly about its business of listening to addresses and committee reports. The delegates were gratified to learn that the Senate of Argentina had at last ratified the covenant, thus officially bringing that republic into the League of Nations. A seat on the Council was ready for her as a reward. Ratification was voted with a reservation against the Monroe Doctrine, which Argentina, like nearly all Latin-American nations, hopes to see practically forgotten, if not abandoned, by the Roosevelt Administration.

Chancellor Dollfuss, looking as tiny as a dwarf behind the speaker's desk, made a short speech and was cheered to the echo. He hoped to win for Austria membership in the Council, which the Assembly had just increased from fourteen to fifteen. But he was obliged to cut his stay in Geneva short

and hurry back to Vienna to watch his seething political pot and set in order his new adaptation of a Fascist government.

There were two major questions that the Assembly for reasons of policy wished to shelve for the time being. The first was that of the Jewish persecutions in Germany, a delicate subject which it was thought best to postpone until after the Hitler Government had come to terms on disarmament. Sir John Simon made an effort to have it referred to the Council, where it might be stored in committee for the next few weeks. His suggestion fell by the way. Two days later Jonkheer Dirk de Graeff, the delegate from the Netherlands, presented a humane proposal by which he thought the thousands of German Jews and Socialist leaders who are now in exile could be cared for. Comparing them with the Armenian and Russian refugees of World War times, he recommended that the League take them under its protection and appoint a commissioner to administer their affairs. At present the care of the exiles is a decided financial burden on Germany's neighbors, especially the Netherlands, Switzerland, Belgium, France and Denmark. It was seriously proposed that the post of League Commissioner be offered to Herbert Hoover.

An old problem, with which the League has admitted its inability to cope, sprang into the open when V. Wellington Koo, the Chinese Ambassador to France, rose to remind the Assembly that Japan, having overrun Manchuria and Jehol with impunity, threatens still further encroachments on China. The League, which wishes first of all to settle the question of European disarmament and knows that it is impotent against Japanese militarism, listened sympathetically but inertly to Mr. Koo. Japan has, of course, resigned from the League, but technically she remains a member until 1935. She sent Naotake Sato, her Ambassador to Belgium, to the Assembly as an observer, and announced that she would organize an information bureau at Geneva similar to that of the United States.

Labor in the New Deal

By E. Francis Brown

Seven months of the New Deal have made one thing certain: American labor is destined to gain much. The Roosevelt administration has given abundant proof of its determination to assure the working-class recognition of its place in the social structure. In this regard the appointment of Frances Perkins as Secretary of Labor was most significant; no longer could it be said that there was a "Secretary Against Labor." Her vigorous pronouncements on behalf of workers' rights and for social legislation sounded and have continued to sound a note new to official Washington circles. Miss Perkins, of course, has not been alone in the championship of labor—that has become almost commonplace at the capital. Furthermore, the recognition of the importance of the worker to the national economy has

been embodied in the philosophy of the New Deal as expressed in the NRA and the resulting industrial codes.

As a result of the administration's support labor has made advances during the space of a few months which even a year ago would have seemed possible only in the millennium. Child labor has virtually disappeared and there is a strong likelihood that the all-but-forgotten child labor amendment may be ratified. A forty-hour working week has become almost the rule. Sweatshops, in the course of a few months, have been banned. Minimum wages have been established. In the coal industry a blow has been struck at the old-time abuse of company towns and company stores. And, most important of all, collective bargaining has become a feature of employer-employe relationships, with the result that the membership of the American Federation of Labor has grown more rapidly than ever before in its history.

The picture is not without its shadows. Labor itself contends that at least a thirty-hour week will be necessary for any large reduction in unemployment. Furthermore, the minimum-wage scales may soon prove utterly inadequate if living costs rise to any extent; possibly these minimum wages are already too low. By no means have employers in every case taken kindly to reductions in the length of the working week; they have tried to speed up production without hiring additional employes; they have discharged highly paid workers, replacing them with cheaper labor, in an effort to escape the added cost of the larger force envisioned by the shorter working-week. Undoubtedly the greatest employer opposition has been to the spread of unionism, but here, owing to more or less tacit support from the Roosevelt administration, labor has tended to emerge the winner. The struggle has not yet ended; perhaps ultimately the employers will bear away the victory. Meanwhile, however, the outlook for labor is brighter than it has been in many a day.

That the workers, filled with confidence and hope, are prepared to fight for privileges has been borne out by the numerous strikes that have spread across the country. As William Green said at the A. F. of L. convention on Oct. 2, labor has passed "from the phase of innocuous desuetude and inaction to a stage of action—action—and action all the time." Strikes by coal miners in Pennsylvania, by shoe workers in Massachusetts, in New York's garment trades, in certain Ford plants, as well as walk-outs in various cities on a smaller scale by workers in trades like painting and trucking and in hosiery mills, and so on, have added to labor unrest. In most instances the workers have secured the majority of their demands, which, apart from certain technical problems relating to particular industries, were usually concerned with hours and wages and, more especially, with securing union recognition.

The NRA administration through the national board and the local committees has endeavored to settle labor disputes as quickly as possible, but on Senator Wagner, chairman of the National Labor Board, has fallen the brunt of this problem. The administration, while friendly to labor, has not been pleased by the prospect that the recovery program might be endangered because of continued labor disturbances. Critics of the NRA have found in this dilemma grounds for asserting that in the end labor will find itself under direct government

control, with the right to strike either restricted or forbidden.

Labor's greatest single victory would appear to be in the bituminous coal industry. Although the code of fair competition for coal had seemed settled at the end of August, final agreement was delayed until the middle of September. On Sept. 1 negotiations between the soft-coal operators and the United Mine Workers unexpectedly broke down over the question of union recognition. Six days later the NRA administration presented the operators with a code which immediately brought general protest from them. Meanwhile, impatient over the delay in obtaining a code, coal miners threatened a nation-wide strike. This possibility and strong White House pressure brought final agreement on Sept. 16. Two days later the President signed the code, which became effective on Oct. 2.

The code established wage rates, banned child labor, fixed the working week at forty hours and accepted the principle of collective bargaining. Employes no longer are to be required "as a condition of employment to live in homes rented from the employer" or "to trade at the store of the employer." In these last provisions a cause of great abuses was removed. The code defined unfair practice and, with some revision by the President, provided for a coal authority to administer it.

Nevertheless, the last had not been heard from this troublesome industry. Did the code cover "captive mines"—those owned by steel companies—which do not produce for the market? The miners believed it did, or at least should, and sought to enforce their stand by striking. The steel companies, of course, were operating under the terms of the steel code. On Sept. 30 the steel operators agreed that the captive mines should be governed by the terms of the code for the bituminous coal industry; President Roosevelt immediately signed the agreement. But the miners, still unconvinced that the steel companies were prepared to recognize the United Mine Workers, remained on strike. On Oct. 7, President Roosevelt practically ordered the steel men to reach an agreement with the miners that would end the strike. Naturally the steel industry which has fought consistently against unionization of its workers was unenthusiastic about this invasion of its preserves, although that industry, like so many others, may be on the point of accepting collective bargaining as an unavoidable evil.

During September hearings were held on many codes, and by the end of the month several were ready for the President's signature. The task of holding hearings on the codes, revising them when necessary and preparing them for promulgation is stupendous. On Sept. 1 it was announced that 600 codes had been filed with the NRA administration; more were received during the month. Their variety emphasizes the complexity of an industrial civilization. For example, among the hearings held in September were those on retail trade, road machinery, umbrellas, millinery and dress trimming, cement, plastering, saddlery, radio broadcasting, newspaper publishing, men's neckwear, silk textiles and paper board. Even with time at a premium, delay would seem inevitable.

The time element is present in all phases of the recovery program. It was the direct motive behind the blanket code, since the administration, anxious to stimulate buying power and to decrease unemployment, realized that individual codes could not be

adopted rapidly enough to satisfy the public wish for recovery. It lies behind the "Buy Now" campaign and the drive to "Buy under the Blue Eagle."

But the NRA administration has been unable to move promptly enough to avoid all kinds of complications. The original proposition was attractive—create employment through a shorter working week and thus, along with a minimum wage, higher than prevailing wage rates, raise purchasing power. In practice, however, the result has been increased costs of production which have raised prices, tending to upset the buying power which the NRA was to create or had created. Furthermore, the vast number of individuals unaffected by minimum-wage standards discovered that their real income was even less than it had been before. While the administration wants prices to rise, it also is anxious to protect the consumer—two aims difficult to harmonize.

To protect the consumer the Consumers' Advisory Board of the NRA has been established along with the Consumers' Council of the Agricultural Adjustment Administration. That their work had amounted to little was charged on Oct. 1 in a letter to President Roosevelt from the Emergency Conference of Consumer Organizations. "There has been utter failure," the letter said, "to protect the consumer. * * * The cost of living has increased about 10 per cent in five months. The income of the majority of consumers has been reduced as the result of increased taxes and spreading work."

Although, as we shall see, business has improved considerably, its position is anything but stable. Greater credit facilities seem essential if industry is really to become active and to re-employ a substantial portion of the millions still without work. To make greater credit available, the Federal Reserve System has for some time been carrying on large-scale open-market operations. Relief funds will aid in stimulating business and expanding credit. But a more general plan, outlined on Sept. 30, would permit short and long term loans to business by the RFC, operating through banks, trust companies and mortgage-loan companies. Meanwhile, the RFC during September hastened its efforts to release deposits in closed banks.

Another means of aiding industry was embodied in the proposal made by President Roosevelt for government loans to the railroads for the purchase of steel rails. On Sept. 25 he told leading steel men that the roads would be able to make use of a minimum of 700,000 tons of steel rails, provided the price was low enough. Two days later the President suggested that the plan might be expanded so as to include the purchase of rolling stock.

Originally, it was believed that the public works program of the NRA would be a sufficient spur to industry, that the expenditure of $3,300,000,000 would give business enough momentum to keep it going until increased employment restored purchasing power to a more nearly normal level. But this phase of the recovery program has been disappointing. Not that Secretary Ickes, Administrator of Public Works, has not pushed manfully ahead, allotting vast sums for all manner of purposes, but actual construction has been slow in getting under way. On Oct. 1 Secretary Ickes said that allotments had been made at the rate of $137,799,284 a week, "an enviable record for speed even in this day of great Federal generosity for a great purpose." At the same time

the administrator declared that he was "unwilling to subscribe to the surprising doctrine, now openly advocated, that 15 to 20 per cent of waste or misuse of funds or graft is reasonable in the public works program." On the day this statement was issued $1,653,591,410 had been allotted for Federal and non-Federal projects.

Among the many grants made by the Public Works Administration are $54,709,358 to the War Department for construction and reconditioning at thirty-two army posts, $8,149,000 for two low-cost housing projects in New York City, $37,500,000 for a vehicular tunnel under the Hudson between New York City and New Jersey, $2,250,000 for a naval hospital at Philadelphia, $36,986,956 for flood control on the lower Mississippi and $14,800,000 for Coast Guard equipment to combat smuggling. Many smaller grants have been made for bridges, streets, sewer systems, waterworks and so on the country over. Yet only on Sept. 18, when ground was broken for a $2,000,000 hospital at Stapleton, N. Y., did the public works program pass out of the blueprint stage. Three weeks later, on Oct. 6, Secretary Ickes announced that projects totaling $400,000,000 were under construction; he estimated that figure would reach $500,000,000 by the middle of the month.

The government's great emphasis on credit expansion was due in part to its apparent desire to avoid more radical and unrestrained methods of inflation. During September advocates of inflation, particularly those representing agricultural areas, were most vocal in their demands. Since the administration had, as far as the public knew, taken no steps to stabilize the dollar, various inflationary measures other than credit expansion were possible—printing-press currency, reduction of the gold-content of the dollar, coinage of silver and what not. Despite the pressure exerted by members of Congress and by farm and business interests, the government's policy remained unknown, unless statements by Secretary Wallace that currency inflation would not solve the farmer's troubles were to be taken as the administration's official position. Meanwhile, the continued uncertainty about a monetary standard was being cited by business men as the reason for their reluctance to embark on new enterprises.

In the agricultural area the failure of the price of farm products to rise faster than the increase in articles purchased by the farmer made for dissatisfaction with the whole recovery program. As one move toward raising commodity prices and also as a way to silence the clamor for currency inflation, President Roosevelt on Sept. 22 offered to lend cotton farmers 10 cents a pound on their holdings of this year's crop, provided they would accept the plan of the Agricultural Adjustment Administration for reducing cotton acreage in 1934 and 1935. For 1934 the program is a 40 per cent reduction below the acreage of the last five years; for 1935 the reduction would be 25 per cent. Involving about $400,000,000, this plan would make even greater amounts of credit available for the stimulation of business activity.

Still another device for expanding credit and raising commodity prices was embodied in the plan for unemployment relief which envisioned the expenditure of approximately $650,000,000 in public funds to provide food, clothing and fuel for the destitute during the coming Winter. About half of this sum would be supplied

from Federal resources, the remainder from State, county and municipal funds. In this plan, as in so many others, the interrelationship of the whole recovery program was apparent. Thus, by helping the unemployed, the farmer will be aided through increased demand for his products, while credit expansion will be furthered through the expenditure of so large a sum.

The close connection between unemployment relief and aid to agriculture was again emphasized by the government's purchase of hogs. During September the Agricultural Adjustment Administration purchased pigs and sows as part of its program for reducing the supply and raising the price of pork. Originally it was planned to buy 1,000,000 sows and 4,000,000 pigs, but the farmers—anxious to take advantage of presumably higher hog prices next year--withheld their sows from the market and by the end of September it had become apparent that not more than 200,000 sows would be obtained by the AAA. Hog prices on Sept. 21 reached $5.40, almost the best figure since July, 1932. Meanwhile, the pork obtained by the government in its extensive purchases was prepared for distribution among the unemployed. Harry L. Hopkins, Relief Administrator, expected that 100,000,000 pounds would be available for this purpose.

One of the chief problems before the government is the need to coordinate its complex and far-reaching recovery program. Critics have continually pointed out that the NRA and the Agricultural Adjustment Administration were not working together properly. The gist of that particular criticism is that the price of overalls has gone up, while the price of grains and other farm products has been slipping back. Presumably there was considerable justification for resentment in the agricultural areas, although a general improvement in the farm situation was reflected in government estimates that gross farm income this year would be more than $1,000,000,000 above last year's total. Another indication of happier times, at least in the prairie regions of the Northwest, was given by a recent report of the Federal Reserve Bank of Minneapolis, which showed that department store sales in that great market centre were 40 per cent higher in August than in July. "Farm income during August," the report revealed, "was larger than last year from marketings of bread wheat, rye, potatoes, dairy products and hogs. Reductions occurred in income from durum wheat and flax."

Undoubtedly some impatience in the farm belt has arisen from the contrast between the speed with which the NRA has been made effective and the slowness of the AAA. Delays in determining wheat allotments and consequent delays in mailing allotment checks have dampened the wheat farmer's enthusiasm for the entire plan. Moreover, many farmers believe that there has been undue sluggishness in refinancing farm mortgages.

With farm protests added to the growing criticism and uncertainty about the NRA, the administration's days have become increasingly troubled. Senator Schall of Minnesota, the loudest and most persistent critic of the NRA, has been joined by other Republicans—former Senator James E. Watson, for example. George W. Wickersham has deplored the possible effects of the NRA on the Constitution. Industrialists in many cases have fought the principle of collective bargaining with a stubborn bitterness. Intellectuals and radicals have not hidden their skepticism about the economic and social soundness of the recovery program. But, with a con-

tagious cheerfulness, the President and his advisers have gone ahead with their plans to make the NRA organization permanent and to iron out the conflicts to which it has given birth

Social and economic conditions the country over remain confused, though the general outlook is still hopeful. Employment has shown steady improvement. On Sept. 15 Secretary Perkins announced that about 750,000 persons had regained work during August, a figure that was raised to 815,000 by the president of the American Federation of Labor. William Green estimated, however, that about 11,000,000 individuals were still unemployed at the end of the Summer. Miss Perkins attributed the more cheerful picture to the NRA, but she said in warning: "Though we have a right, perhaps, to feel that the worst is over, the depression is a fact still to be reckoned with, and it is much too soon to throw our hats in the air and cheer over a victory as yet far from complete." With increased employment went a rise in payrolls, which the Department of Labor calculated at $12,000,000 for the month of August.

The greater opportunities for work affected the nation's relief rolls, which for forty States showed 120,000 fewer families obtaining aid in August than in July. Nevertheless, because of higher prices and of more adequate relief, the cost of caring for the unemployed rose during the month from $60,100,000 to $61,000,000. Meanwhile, the Relief Administration was organizing its plans for the Winter, seeking to care for all in need, migrants as well as those with a fixed residence. At the same time the Civilian Conservation Corps was making new enlistments and establishing Winter camps for the 250,000 young men who are expected to compose its membership from October to April.

In general, business seemed to be marking time during September. *The New York Times* index of business activity fell from 84.9 for the week ended Aug. 26 to 77.7 for the week ended Sept. 23, but much of this decline, as *The Annalist* said, was "directly traceable to strikes." Other reports on business conditions were not so discouraging. Dividends declared during September showed an improvement over a year ago, continuing a trend that became apparent in August. Twenty-seven chain-store and mail-order systems reported sales for August 5.7 per cent above the same month in 1932. Department store sales likewise showed an improvement—16 per cent over the same month a year ago. Newspaper advertising reflected the upward trend in business with linage 16 per cent above August, 1932. In August life insurance sales, for the first time in nineteen months, showed an advance over the same period of the previous year. The first seventy railroads to report earnings for August showed a net operating income of 99.9 per cent over August, 1932, and 8.2 per cent above August, 1931. Perhaps an even more significant change was an increase in trade loans for the four weeks ended Sept. 20. According to the Federal Reserve Bank of New York, this upturn was the first of any importance since the beginning of the depression.

American foreign trade has improved slowly but steadily. Though exports during the first six months of the year were about 20 per cent below the same period of 1932, each month from April to August showed a gain, and in June exports, for the first time since September, 1929, showed a rise over the same month of the preceding

year. Imports have likewise increased.

Increased taxes and improved business have aided the Federal Treasury. Secretary Woodin announced on Sept. 15 that there might even be a surplus at the end of the fiscal year, that is, in the ordinary budget. The extraordinary budget for relief expenditures is another matter. But with internal revenue $192,333,919 greater in the first quarter of the 1934 fiscal year than in 1933, it was not difficult to understand why the Treasury deficit at the end of September was $237,493,000 instead of $682,317,200 as a year ago. The total public debt, however, had increased to $23,050,754,500--$2,439,000,000 more than a year ago.

With the practical certainty of prohibition repeal—thirty-two States had voted favorably by Oct. 4—the administration has begun to plan for a remodeling of the Federal tax system. The new structure, according to Chairman Doughton of the House Ways and Means Committee, will be built around income and liquor taxes in the hope that the nuisance taxes of the last two years can soon be repealed.

Meanwhile, the administration has moved ahead with its economy program. Definite results are apparent in various quarters, not least in the Postoffice Department where the deficiency during the first quarter was $12,002,000 instead of the $30,078,000 in the same period of 1932. President Roosevelt on Oct. 2, in an address to the convention of the American Legion at Chicago, stated his position on the reduction of government expenditures for veterans' relief. Words which once would have been anathema to the legionaires were cheered to the echo. The President declared that only veterans disabled during actual service and the dependents of those who died for the nation should be cared for by the government. Former soldiers with non-service-connected disabilities should be treated as "other cases of involuntary want or destitution." Nevertheless, the Legion was not prepared to accept the President's position as its own, even though it did not repeat its old demand for immediate payment of the bonus.

In the midst of the more striking developments of the month other phases of the New Deal were being carried out—quietly and without sensation, in so far as the public was aware. Thus, Joseph B. Eastman, Federal Coordinator of Transportation, was continuing the studies and investigations that may be expected to result eventually in a new national transportation policy. The Tennessee Valley Authority, except for its announcement of rates for domestic users of electricity, scarcely figured in the newspapers during September. Agitation against the Federal Securities Act remained mostly under cover. Plans for the guarantee of bank deposits were advanced, despite the opposition of the banking fraternity which had assailed the provision in no uncertain terms at the convention of the American Bankers Association. Secretary Ickes proceeded with the enforcement of the oil code, in particular with the allotment of output in order to curtail production. The Department of Justice on Sept. 27 obtained the first indictment against a gold hoarder. Senate investigating committees were looking closely into ocean mail subsidies to American shipping companies and into the affairs of the stock market. But for the country as a whole the rapid changes of the NRA held first interest during another extremely crowded month in Mr. Roosevelt's America.

The State of the Mexican Nation

By CHARLES W. HACKETT
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THE opening of the regular session of the Mexican Congress every September is the occasion for a Presidential message which surveys Mexican internal and international affairs for the year just ended. On Sept. 1 President Abelardo Rodriguez sent his first annual message, based largely on reports presented to him by his Cabinet members, to the Mexican Congress.

The message laid stress on the country's political stability and gradually improving economic conditions. Declaring that "in spite of the improvements since the beginning of 1932 the situation is not completely normal because an enormous deficit was left from 1932 and because of conditions in the rest of the world," the President added that a factor in Mexico's stability had been reached by the favorable quotation of the peso as compared with the dollar. "One of the most interesting aspects regarding the national economy," he went on, "is the program for solving mining and petroleum troubles. Regarding the first, the government has taken steps to convert it into a nationalized industry. Important steps have been taken toward effective nationalization of oil without damage to existing rights." President Rodriguez, in referring to the promotion of education, declared that illiteracy had decreased from 73.95 per cent of the population in 1900 to 56.08 per cent in 1930.

Minister of War Quiroga, in his report, emphasized the peace that prevailed throughout Mexico and the condition of the Mexican Army, which, he said, was at a peak of efficiency. Finance Minister Pani reported that the nation's confidence in its finances was shown by the fact that 72,000,000 pesos in Bank of Mexico notes were in circulation, while the monetary reserves held by the bank were 85,000,000 pesos.

Foreign Minister Puig Casauranc reviewed Mexican diplomacy and mentioned, in this connection, the renewal of relations with Nicaragua, Peru and Venezuela, and the continuation, "on a basis of perfect friendship, cooperation and mutual respect," of the relations between Mexico and the United States. President Rodriguez again alluded to the cordiality existing between Mexico and the United States and Central America in a statement issued to the press on Sept. 23. He added that the Mexican Government proposed to seek closer friendship with European governments.

The failure of Latin-American States to cooperate successfully in the settlement of international disputes and internal troubles in Latin-American countries has been the general rule in the past. Another failure was registered during September. A proposal that the governments of Argentina, Brazil, Chile and Mexico appeal to the Cuban junta, which came into power following the resignation of Provisional President de Cespedes, to

set up as speedily as possible a government which could assure "ample protection for nationals and foreigners," was made by Mexican Foreign Minister Puig Casaurane on Sept. 9. Approval of this proposal was given the same day by Brazil and Chile, but three days later, following the selection by the Cuban junta of Dr. Grau San Martín as Provisional President, Señor Casaurane announced that Mexico would make no further efforts to appeal to Cuba to form a strong government. The same day the ABC nations were officially notified that Mexico had abandoned this project.

A secret session of the Mexican Senate on Sept. 16 ratified the convention for controlling the currents and rectifying the course of the Rio Grande in the region below El Paso, Texas, and Juárez, Chihuahua, which was signed on Feb. 1, 1933. The fulfillment of the provisions of this treaty, which calls for the expenditure of $4,932,300—Mexico's share is $591,-876—will include the elimination of an annual flood menace at El Paso and Juárez and in the Rio Grande Valley for a distance of eighty-seven miles below those cities; the carrying away of sediment as the result of an increase in the gradient and the velocity of the river; the establishment of a definite water boundary that will be controlled by the two countries; the prevention of channel changes involving transfer from one country to another of small areas of land which inevitably lead to international disputes; the increased facility for enforcing the laws of each country by fixing a rectified river boundary; and the provision for a government owned and controlled channel, thereby preventing the encroachment by private individuals on the area required for flood protection. The treaty fails to provide for a settlement of the twenty-year-old Chamizal controversy, over the ownership of three hundred acres that now form part of El Paso, Texas.

A notable Cabinet change, which may constitute the most promising prospect for a peaceful Presidential election and also a peaceful transfer of executive power in Mexico in 1934, occurred late in September. Finance Minister Alberto J. Pani resigned on the night of Sept. 28, and the next day the post was offered by President Rodriguez to former President Calles, who promptly accepted it. General Calles is universally regarded as the "strong man" of Mexico, and his reentry into active political life virtually assures the election of the Presidential aspirant who next year will have the support of the present administration.

CENTRAL AMERICAN TREATIES

Agitation has been revived for the rejection of the Central American peace treaties of 1923, which provide that governments coming into power in any of the five countries as the result of revolution or force may not be recognized by the governments of the other Central American States "so long as the freely elected representatives have not constitutionally reorganized the country." Opposition to the treaties, several of which would be renewed automatically on Jan. 1, 1934, for ten years unless they were denounced in the meantime by at least three of the signatory powers, was initiated by Costa Rica in November, 1932. Costa Rica formally denounced the treaty on Dec. 24, 1932, and El Salvador on Dec. 28, 1932. A resolution declaring that the Central American treaties of 1923 are null and void because of their not having been registered with the Secretariat of the

League of Nations under Article XVIII of the covenant was approved by the Congress of El Salvador on Aug. 23.

The basis for recent opposition to the treaties is the continued non-recognition by the United States and Central American States of the government of President Maximiliano Martínez in El Salvador. In December, 1931, a group of young army officers ousted President Arturo Araujo, and the next day General Martínez, who was both Minister of War and Vice President, was named President of El Salvador by a military junta. Later, on Feb. 5, 1932, the Congress of El Salvador "declared constitutionally legal the advance of Vice President Martínez to the Presidency of the republic." Under the terms of the treaty of 1923 the four other Central American States have never been able to recognize the government of President Martínez, since he came into power as the result of a *coup d'état*. The United States, although not a signatory to the treaties of 1923, has persistently been guided by them in its Central American policies.

The action of the United States and of the Central American States was deeply resented in El Salvador and led to widespread debate in Central America on the subject of recognition and the merits of the 1923 treaty. Costa Rica's attitude toward that treaty was based on the professed belief that some of the clauses should be set aside because they infringe upon "the sovereignty and independence of the signatory republics." The declaration of El Salvador on Aug. 23 that the treaties of 1923 were null and void because of their not having been registered with the Secretariat of the League of Nations is attributable to the continued non-recognition by the United States and Central American States of the Martínez government, which, to date, has been recognized by twenty-seven States in Europe and Asia and nine in Latin America.

South America's Unsettled Disputes

By HENRY GRATTAN DOYLE
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"AMERICA has proved herself incapable of solving her own difficulties, while little can be expected from the Geneva negotiations, where compulsory measures cannot be adopted."

Such was the editorial comment of *El Imparcial* of Santiago de Chile when on Sept. 30 the ABCP nations formally notified the League of Nations that they could not accept the League invitation to serve as mediators between Paraguay and Bolivia in the Chaco dispute. The decision of Argentina, Brazil, Chile and Peru not to attempt further the solution of the vexatious problem was announced in a telegram to Geneva by Afranio de Mello Franco, the Brazilian Foreign Minister, after a long conference in Rio de Janeiro with representatives of the other three countries. The four neighbors of the disputants, according to the message, had expended the utmost effort, in "complete unity of purpose," to harmonize the conflicting

viewpoints of Bolivia and Paraguay, and sincerely lamented their inability to propose an acceptable formula of peace. Thus two months more of efforts to adjust the Chaco muddle have resulted in the complete *fracaso* (failure) freely predicted in dispatches from South American capitals during the last month. As *El Imparcial* remarks, "it is a question now of a decision on the battlefield." This constitutes a serious blow to existing international juridical principles, adds *El Imparcial,* concluding that international law is "incomplete and ineffective" without the support of punitive enforcement.

Similar pessimism about the result of the ABCP effort has been expressed editorially in other neutral periodicals of South America. *A Noite* of Rio de Janeiro contrasts the steps taken toward amicable settlement of the Leticia dispute with the failure of the Chaco negotiations. *El Comercio* of Lima, Peru, on the other hand, points out that if the combatants expect to wear each other out they are gravely in error, since "the war in the selvas does not permit the establishment of supremacy by either." Such being the case, peace can be restored only by the efforts of the ABCP countries or the League of Nations.

The League, upon which responsibility for further peace efforts now devolves, apparently is not so pessimistic. In a radio address from Geneva on Oct. 1, Charles T. te Water of South Africa, president of the Assembly of the League, expressed confidence that both the Leticia and Chaco disputes would be successfully solved. Expressing satisfaction over the return of Argentina to the League, he further said that future Argentine cooperation would be of the highest value to the League, especially now that Argentina was a member of the Council of the League, having been elected to the Council on Oct. 2.

The next step for the League obviously is the dispatch of its commission to the Chaco, plans for which were interrupted by the sudden joint request of Paraguay and Bolivia late in July that a mandate be offered the ABCP nations. In Geneva it was reported that suggestions had been made that the membership of the proposed commission be revised, including perhaps one of the Scandinavian countries, in an effort to avoid the intimations of partiality which were heard when the membership of the League Commission (Spain, Great Britain, Italy, Mexico and France) was first announced on July 9.

A Bolivian communiqué issued on Oct. 3, blamed Paraguay for the failure of ABCP negotiations, declaring that Bolivia accepted the ABCP plan with slight modifications, while Paraguay refused the plan without any comment save that the Chaco was a territory with natural boundaries, and therefore there was no need for preliminary negotiations to fix an "arbitral zone." This attitude, according to the communiqué, "eliminated even the slightest possibility of continuing the diplomatic conversations." Yet a report from Asunción on Sept. 8 announced that the Paraguayan government had accepted the ABCP proposal, declaring its willingness to submit to arbitration all questions relating to the conflict in the Chaco Boreal and binding itself to terminate military operations at the time of signing the agreement for arbitration. The probable explanation of the discrepancy and of the ambiguities mentioned here last month is to be found in a statement by Dr. Saavedra Lamas, the Argentine Foreign Minister, that

the Argentine and Chilean Foreign Offices thought they were signing a formula under which the arbitrator would determine the zone to be arbitrated, while the formula sent to Asunción and La Paz by the Brazilian Foreign Office proposed "integral arbitration," against which Bolivia is apparently irrevocably committed.

A "new Chaco peace plan," reported on Sept. 27 as having been sent to the two disputants by the Brazilian Foreign Office, proposed that an "arbitral zone" be fixed to embrace the area bounded by the Rivers Pilcomayo and Paraguay on the south and east, latitude 20 degrees north on the north and longitude 62 degrees west on the west. This suggestion was flatly refused by Paraguay, according to the report, and it is perhaps this refusal to which the Bolivian communiqué refers.

Field operations continued in the Chaco throughout September, with considerable activity early in the month in the Arce and Gondra sectors, in which both countries claimed gains, with corresponding losses to their opponents. A severe heat wave and a grave water shortage later in the month took a heavy toll on both sides, Bolivia being the greater sufferer because of the more favorable location of Paraguayan entrenchments along rivers and streams. According to reports from La Paz, the Bolivians voluntarily relinquished positions previously won at heavy cost, because of failure of the water supply.

Evidence of preparations for continued prosecution of the war by both countries continues to appear in dispatches from South America. Bolivia has called up more classes of reserves, including both older classes (1921 and 1922) and younger conscripts (class of 1934—19 years old) and Paraguay is reported as planning a vast system of defense in the Chaco, embracing the construction of about 250 miles of military railways, as well as additional strategic roads. Another reported plan would bring to the Chaco in a great colonization scheme, under Paraguayan auspices, 10,000 Russian Cossack émigrés under the leadership of General Belaiev.

The Bolivian Government was reported on Sept. 7 to have protested to Argentina an alleged shipment of 3,500,000 cartridges from Buenos Aires to Asunción.

A report that General Hans Kundt of the Bolivian army had resigned was officially denied on Sept. 27. Colonel Estigarribia, Paraguayan Commander in the Chaco, was promoted to Brigadier General on Sept. 29.

THE LETICIA CONFERENCE.

The call for the conference to settle the Leticia dispute was issued on Sept. 19, the first meeting being fixed for Oct. 20. The Peruvian delegation includes Dr. Víctor Andrés Belaúnde and Dr. Víctor M. Maúrtua, men of world-wide reputation as jurists, while the Colombian delegation is led by Dr. Roberto Urdaneta Arbeláez, Minister of Foreign Affairs, Dr. Luis Cano and Guillermo Valencia, the eminent poet who was an unsuccessful candidate for the Presidency against President Olaya Herrera.

In messages exchanged between President Benavides of Peru and Dr. Cano, one of the Colombian delegates, on Sept. 27, it was apparent—but only apparent—that mutual good-will was to be the keynote of the meeting. The cordial reception of Dr. Cano at Iquitos, President Benavides said, was a proof of the sentiments that Peru has for Colombia, "with which we seek a loyal and just peace upon which to establish the fraternity of the two na-

tions." A resolution passed by the Colombian Senate on Sept. 28 declared that Colombia has no "boundary" dispute, that it maintains the inviolability of treaties, that it will maintain its territorial rights on the Amazon frontier as defined by the Salomón-Lozano treaty of 1922, and that it will give the government all necessary support and cooperation in measures intended to assure the defense of the national territory. This declaration, according to *El Comercio* of Lima, by its insistence on the "untouchability" of the Salomón-Lozano treaty, places a powerful obstacle in the way of any agreement. "Brotherhood between Colombia and Peru is impossible," says the editorial, "if the original cause of war and hatred is not removed." The Colombian Senate resolution was adopted after attacks on the government's peace policy. It was hoped that its passage on the eve of the conference would not imperil the success of the latter.

ECUADOREAN KALEIDOSCOPE

The struggle between President Martínez Mera of Ecuador and a recalcitrant Congress has continued during the past month. It has been marked by a succession of new Cabinets, strikes and threats of strikes, and repeated requests for the President's resignation, followed by repeated refusals to resign. The disturbed political conditions, says *El Telégrafo* of Guayaquil, are responsible for the failure to include Ecuador in the discussions at Rio de Janeiro over the territorial problems of the Upper Amazon. "In the turmoil of our politics," it declares, "we have not realized that at this moment the great Amazon problem is going to be solved without our participation. This is not because of lack of friends abroad, for Brazil would probably be interested in bringing about a quadrilateral agreement, but through our own fault, in attempting at the very moment of the negotiations to overthrow our Executive, not allowing him to govern, taking away his authority, and wasting his time." The journal further points out as a parallel that it was during similar internal disturbances in 1922 that the Peruvian-Colombian treaty was consummated without Ecuadorean participation.

A second refusal by the President of Ecuador to accede to a Congressional demand for his resignation on Aug. 28 was followed by a general strike, accompanied by what amounted to a "legislative strike" by Congress, which lasted for three days. On Sept. 5 Congress voted "lack of confidence" in a new Cabinet, appointments to which had just been completed. A similar vote followed on Sept. 6. A revamped Cabinet appointed on Sept. 7 lost several members by resignation on Sept. 9. On the same date there was a popular demonstration against Congress in the galleries of the Chamber. On Sept. 11 Congress proposed a "formula" for adjustment of the impasse, involving the resignation of the President and the calling of new Presidential elections. On Sept. 12 the President presented his "formula," offering to resign if Congress would agree to let him appoint the Ministers of War, Finance and Education in a new Cabinet, of which Congress might appoint the other members. He also stipulated that the president of the Senate and the president of the Chamber of Deputies should resign at the same time as the President. These terms were considered unacceptable by Congress.

On Sept. 18 the President issued a manifesto in which he declared that he would not resign unless the people so willed. "It is my duty," he said,

"to defend public order and tranquillity. I shall persist in trying to save the country from certain fratricidal strife and complete anarchy." The reply of Congress was a resolution calling him an "autocrat." This was followed on Sept. 24 by formal charges against the President, holding him responsible for the failure to include Ecuador in the negotiations at Rio de Janeiro. At the same time Congress again, by a vote of 43 to 10, demanded his resignation. This was followed by another Presidential manifesto, in which the President refuted the charges of ineptitude in international affairs, maintaining that petty politics on the part of Congress was responsible if Ecuador had lost international prestige.

A new phase began on Sept. 26, when Congress, after formulating new charges against the President, appointed a committee to investigate his conduct of the office. In a message to Congress on the following day the President announced that he "refused to recognize as judges of his conduct those who had proved that they did not possess the necessary impartiality." He attacked as "dictatorial" a previous vote by which Congress had declared void a law passed in 1835 which provided a procedure for the impeachment of government officials, declaring that it transferred to a simple vote passed by a majority of the Chamber the power to remove the Chief Magistrate of the nation.

It is worthy of note that in this unhappy internal strife the President seems to have the support of most of the press, as well as of the lawyers of the country. Latest available reports indicate that the President is considering the adoption of "military measures" to counteract the attitude of Congress and its supporters.

Britain Regains Confidence

By J. BARTLET BREBNER
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THE British public greeted the second anniversary of their "New Deal" with a widespread feeling of confidence, which was perhaps greater than the circumstances justified. But with a year of steady improvement behind them, they felt that the uncertainties underlying their economic position were less than those elsewhere in the world. Sterling had fallen 35 per cent from its gold parity, but so had the American dollar. The rise in the cost of living has been negligible. The social services had been curtailed, but the budget was balanced and unemployment had greatly decreased. Tariffs and currency restrictions had strangled world trade, but British foreign trade was increasing in volume as well as sharing the benefits of higher prices, and the Treasury welcomed an unexpectedly large increase in customs revenue. Disruptive forces were at work in the empire and association of Dominions, but a substantial degree of economic integration had been achieved at Ottawa and after. Finally, there was a quiet sense of power because the improvement had been brought about steadily and systematically by national cooperation and with considerable respect for

democratic procedure. It was notable, for instance, that the cries for imitation of President Roosevelt's devices had died away except in the ranks of the Parliamentary Opposition.

The August statistics corroborated the general sentiment. Unemployment declined by 31,038 to 2,411,137. While 19 per cent of the insured were unemployed, the total had declined by 448,691 in a year and an increase in the same period of 648,000 in the employed showed that new workers were being absorbed as well. Foreign trade was better than in August, 1932, exports totaling £35,290,000 (£32,043,-000) and imports £56,750,000 (£53,-313,000), and the increase in imports represented the raw materials of manufacture. The railways reported increased traffic; the last pylon of the national grid system for electrical distribution was erected and production was rising. Every industry except cotton textiles reported expansion. Even agriculture was heartened by the protection offered under Major Walter Elliot's legislation. In August, for instance, the Scottish oat growers secured an increase from 10 to 20 per cent *ad valorem* protection and an agreed restriction in exports from Canada. Great Britain would still probably prefer less restricted international trade, but she felt that she had discovered how to survive, if not prosper, in a protectionist world.

Particularly significant was the perceptible decrease in apprehension about the decline and fluctuations of the American dollar. The operations of the exchange equalization fund remained secret in spite of the promises made to Parliament, but when the pound shared the decline in gold value of the dollar, it was allowed to fall to 80 gold francs (124.21 old parity), with only enough support to iron out the fluctuations. The Prime Minister consulted Sir Josiah Stamp, Sir Walter Layton and Sir Arthur Salter on Sept. 18 when the pound had temporarily fallen to 78.60 france, but there was a general feeling that the Roosevelt program had increased American production costs to a point where British exporters need not worry about the need of depreciation of the pound to compete with the dollar.

Arthur Henderson, since Prime Minister MacDonald's defection the recognized leader of British Labor, once more found a seat in the House of Commons when, on Sept. 2, he won the Clay Cross by-election, increasing the majority in a normally Labor constituency. The Nationalist candidate suffered because his supporters and campaigners were so obviously Conservatives. The Prime Minister sent a letter in his support, but the reception it received was a clear sign of his waning prestige.

During September both the Trades Union Congress and the Labor party were busy clarifying their programs for political action. Almost at the same time G. D. H. Cole and Sir Stafford Cripps of the Socialist League (the University radicals) published a pamphlet in which they admitted that, if Labor obtained power, it might have to be dictatorial. This brought about unequivocal declarations of faith in democratic government from the trade unions and the Labor party and diatribes against both Fascist and Communist dictatorships. The Labor party also proposed changes in constitutional practice designed to curtail the independent powers of the Prime Minister and the Chancellor of the Exchequer in such matters as the selection of the Cabinet and the determination of financial policies. Within the National Government Mr. MacDonald's stock was falling, Mr. Runciman and Mr. Baldwin held their

ground and Neville Chamberlain considerably increased his prestige after his rather bad start. [See Wickham Steed's article, "The Dearth of British Leadership," on page 137 of this magazine.]

DE VALERA'S DIFFICULTIES

In the Irish Free State the formal fusion of the opposition to Fianna Fail and the urgent necessity for President de Valera to curb the activities of the Irish Republican Army have thrown him into admitted dependence on the Labor party and have greatly limited his freedom of action. On Sept. 8 General Eoin O'Duffy's National Guard and National Associates (Blue Shirts), William T. Cosgrave's Cumann na nGaedheal (the Dail Opposition), and Frank MacDermot's Centre party (farmers) combined to form the United Ireland party. General O'Duffy was chosen president and all three parties were represented on the executive committee. In the light of the troubles of the last twenty-five years their alliance must in some ways be an uneasy one, but the independents could be counted upon to join them in a straight issue with Fianna Fail. Their policies centred upon reconciliation with Ulster for a united Ireland and recovery of the British market.

President de Valera and his followers, having a majority of only one over all other parties in the Dail, were forced to secure the support of the Labor party. The price was a promise to include in next year's budget provision for old age and health pensions, workmen's compensation, housing projects and additional unemployment insurance. Mr. de Valera's insecurity led him to make charges that the British Government had for eighteen months been fostering attempts to defeat him and that General Mulcahy, ex-Minister of Defense, had gone to Glasgow to consult with the British Secretary of State for War. On Sept. 28, with Labor's help, Mr. de Valera defeated an Opposition vote of censure in the Dail by 80 to 65, but undertook to set up a committee of Deputies to investigate his charges against Mulcahy, with the result that, on Oct. 4, the President made a public apology to Mulcahy and admitted that the story told by the government's informant was without foundation. Meanwhile, Mr. de Valera and his aides had been doing their best to convince the Republicans that their policy of smashing bottles of British ale might bring about a British boycott of Dublin stout and porter.

The economic condition of the Free State continued to be bad. As compared with 1932, foreign trade for the first seven months totaled £55,000,000 (£83,000,000), with exports of £19,000,000 (in spite of the bounties) and imports of £35,000,000. The export trade in cattle was about halved. The farmers had responded to appeals to grow grain and had bountiful harvests, but the merchants still held part of the 1932 crop and prices were low. The farmers became irregular in their tax and annuity payments, and there were signs of "no-rent" campaigns.

CONFUSION IN CANADA

Canada has always been profoundly affected by the United States, but recently uncertainty as to the consequences of the Roosevelt program has almost been matched by other foreign and domestic perplexities, making a most confusing picture. Behind the confusion there remained the unrevealed seriousness of the internal fiscal problem, brought about by falling

revenues and the government's extensive commitments, directly and through the banks, in support of the wheat market, unemployment relief, the national railways and the privately owned Canadian Pacific Railway. While there has been a good deal of admiration of American vigor in recovery, Canadian improvement was not believed to be obtainable by similar methods because of dependence on export markets. Moreover, since Mr. Bennett returned from the world economic and wheat conferences he has not outlined the policies which he intends to follow.

In general, Canada's economic improvement over 1932 continued into September, although the seasonal lag was expected. Payrolls increased; nonferrous metals were produced and exported in larger quantities; the American and British markets for wood products improved in size and price. Yet prosperity had not been attained and the underlying reason lay in the condition of agriculture, Canada's largest productive activity. Drought and grasshoppers had condemned whole regions of the West to public relief from provincial treasuries which had to be replenished from Ottawa.

The amount of Federal support for the wheat market has never been announced. The price of near futures was pegged at 70 cents during August, but trading and export practically stopped about Sept. 7. The peg was removed next day; the price fell to 67 cents; exports began again and have continued as the price has fallen close to 60 cents British wheat buyers have been frequently reported as determined to have their revenge for what they held to be the unfair practice of the pools in withholding wheat until demand met their price. If so, they have been successful, with striking results in Canadian export figures and railway car-loadings. During August, for instance, as compared with 1932, the decline of 17 per cent in Canada's exports to the United Kingdom corresponded almost exactly to the decrease in exported agricultural products. Fortunately, exports to the United States rose by 45 per cent to make the total export figures better than in the year before.

One factor that has obscured the picture for the public has been the movement of currencies in relation to each other and to gold. After almost two years, during which the Canadian dollar stood far below the American and well above the pound, it has moved up close to parity with the American and fallen behind the pound. In addition, Canadians have been more impressed by the fact that an ounce of Canadian gold sells for over $31 than by the decline in the gold value of their currency. One real advantage to the country has been that it has been profitable to mine and process low-grade gold ores. It has also been convenient to sell to the United Kingdom with a rising pound and to buy and meet interest obligations in the United States with a falling dollar.

AUSTRALIAN NAVAL PLANS

Australia's response to Japanese naval plans has recently been revealed by the Commonwealth Government. Coast defenses are to be modernized; the air force is to be reorganized and re-equipped; and the navy aims at an establishment of four 7,000-ton cruisers, a destroyer group of five and mine-sweepers.

After some weeks of watchful waiting, Australia tried her fifth conversion operation within a year in London on Sept. 15. About £21,000,000 of 5¾ and 6 per cent bonds nearing maturity were to be converted into

twenty-year 3¾ per cent bonds. The issue was taken up in an hour and two weeks later commanded a premium of 1⅝ per cent. These conversion loans, a necessary part of Australian financial rehabilitation, have been handled in London by Stanley M. Bruce, who acted as a member of the Cabinet, but who on Sept. 21 was appointed Australian High Commissioner in England.

SOUTH AFRICAN AFFAIRS.

The South African politicians have been busy trying to remove the obstacles of local jealousies so as to make their coalition government a reality. General Hertzog has been conducting a vigorous campaign against the obstinate Dr. Malan in the Cape, and General Smuts on his return from London added his weight to the struggle for unity. Only after it is achieved can the difficult problem of reconciling mining and farming interests be approached. Hertzog has, for the most part, had remarkable success in discrediting Dr. Malan's followers in the Orange Free State, besides making serious inroads in the Cape.

In the meantime, events in two regions neighboring on the Union have attracted widespread attention. In the mandate of South-West Africa during the Summer there developed a strong Nazi movement, which became of concern to the Union. Conversations between the German and South African Governments were reported to have taken place. South Africa had no diplomatic representative at Berlin, and Germany decided to send one to South Africa. Indignation over the arrogant declarations of the Nazis in South-West Africa was intensified by the dismissal of a Jewess from the German Consulate in Johannesburg. On Sept. 4 General Hertzog announced that he would support the ordinance passed by the Legislative Assembly of South-West Africa against the introduction of Nazi policies. In the Assembly the seven German delegates have provoked a firm anti-Nazi coalition of the nine Dutch and British delegates.

The second incident occurred in the Bechuanaland Protectorate, where Tshekedi, a native chief, broke the law by ordering the flogging of a white British subject for his persistent immorality among the native women. Vice Admiral E. R. G. Evans of the British Navy, as Acting High Commissioner of Bechuanaland, was sent to investigate and after a court of inquiry, which was accompanied by an unfortunate display of troops and artillery, ordered the expulsion of the white man, and on Sept. 14 suspended and banished the chief during the King's pleasure. The chief behaved with conspicuous dignity and his mother appealed to the King. Vice Admiral Evans created a bad impression in South Africa by his manner in conducting the case and reproving the chief. The affair was questioned in Great Britain as well and, after consideration by the Colonial Office, the government decided on Sept. 28 to reinstate the chief. The case was remarkable in the history of white rule in Africa and drew attention to the necessity of clarifying the status of the chiefs.

THE INDIAN SCENE

Throughout the many divisions of politically articulate India a division has deepened between those who want to seize the concessions already suggested by Great Britain in the White Paper before the Conservative elements in the National Government can reduce them and those who feel that in any case they are going to be given little and should therefore con-

centrate their energies on unity in defense of certain fundamentals.

Gandhi's recent erratic behavior has been accompanied by dissension in the Congress party. There has been a split between the orthodox Hindus and Gandhi's followers over treatment of Untouchables, while a break has taken place between Jawaharlal Nehru's radical followers and the moderates on the issue whether the real task should not be an immediate attempt to divest the British, the Indian Princes and the Indian millionaires of their property to secure greater social justice. Out of the welter no specific line of action has yet been able to command united or even a majority following within the Congress party. This situation has provided ammunition for the section of the British Conservative party that has kept up a vigorous attack on the proposed new Constitution. Great pressure to reduce the concessions in self-government was being brought to bear on the Joint Select Committee of Parliament, which resumed its hearings on the White Paper on Oct. 3.

A motion was introduced in the Indian Legislative Assembly on Aug. 31 to raise the tariffs on foreign textiles or prohibit their importation. The motion was withdrawn in order not to compromise the conference at Simla, attended by representatives of India, the United Kingdom and Japan, on the division and regulation of the Indian textile market. Informal conversations began in Bombay on Sept. 18 and the Simla conference opened soon afterward. Ten Bombay mills have closed since January and seven more were reported as about to follow suit as a result of Japanese competition.

WEST INDIAN UNION

The commission appointed in 1932 to investigate the possibilities of union involving all or part of the Windward Islands, the Leeward Islands and Trinidad made its report in mid-September. They concluded that it was impossible to propose any kind of closer union of all the islands, but recommended that the Leeward and Windward Islands should be united into one colony under a Governor with headquarters at St. Lucia.

French Budget Difficulties

By GILBERT CHINARD
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WHILE the French Cabinet, headed by Premier Edouard Daladier, finds itself, mainly as a result of its activities during the Summer, in a much stronger position than it was at the beginning of the parliamentary recess, it remains confronted with most serious difficulties, but these are financial rather than political, since the outstanding problem now to be solved is that of the budget.

During September the general councils of the departments met in their regular sessions. These are elected assemblies with very limited powers, but they can at least make their "wishes" known to the government. In a large majority of cases the general councils

insisted upon the necessity of balancing the national budget through strict economies, pronounced themselves as against new taxation and inflation and, in order to set an example, reduced somewhat their departmental budgets. In another direction, the Federation of Taxpayers declared that they had reached the extreme limit of their ability to pay taxes, and the diminishing returns from taxation gave point to their argument. According to the official figures these revenues for July were 274,000,000 francs less than the budget estimates, the difference for the first seven months of 1933 being 1,039,000,000 francs.

In a speech delivered at Boussac on Aug. 27, Lucien Lamoureux, Minister of Budget, surveyed future budget prospects. After paring expenses down to a minimum and taking into account the reductions ordered by the Superior Council for Economies, the budget for 1934 would be hardly 30,000,000 francs less than that of 1933. M. Lamoureux indicated that the interest on loans floated during 1933 alone amounted to more than 600,000,000 francs and that under the present legislation it seemed impossible to reduce expenses any further. In these circumstances, and taking into consideration the diminishing taxation returns and the reduction of taxes on railroads, he estimated the deficit for 1934 at 6,000,000,000 francs—2,500,000,000 francs more than for 1933. This estimate is considered by several economists as too optimistic and according to their calculations the deficit might reach 8,000,000,000 francs (about $313,000,000 at par). Though the Minister opposed inflation, he was not specific about measures that might be taken to balance the budget. He even declared that he had not yet seriously studied either of the drastic remedies which have been discussed in the French press—a capital levy and the virtual suppression of some parts of the budget.

The National Lottery, which is arousing high hopes throughout France, will afford only a limited relief to the government's financial difficulties, although its initial success surpassed all expectations. The first series of .2,000,000 tickets, at 100 francs each, was immediately sold; a second series was at once printed and disposed of, and it is considered quite possible that seven series, or 14,000,000 tickets, will have to be issued in order to satisfy the demand of the French public. The prizes in each series will amount to 120,000,000 francs, leaving a clear profit of nearly 80,000,000 francs to the government, since no publicity has been necessary and commissions to banks and agents were reduced after the success of the first series.

Though France is suffering less than many other countries from the economic crisis, the situation is far from satisfactory. There is, however, a distinct improvement in unemployment figures. On Aug. 26 the total number of idle workers was 235,850, of whom 128,908 were in Paris and its vicinity. On the same date last year the total was 264,253. The peak was reached last March with 331,846. Railroad operations, on the other hand, continue to show declines from last year's figures. Receipts from Jan. 1 to Aug. 12 amounted to 6,871,381,000 francs, or about 431,000,000 francs less than for the same period last year. Foreign trade, especially in exports, has suffered in about the same proportion. For the first eight months of the present year imports were valued at 19,475,975,000 francs as against 19,890,815,000 francs last year; ex-

ports dropped in value from 12,983,-530,000 francs to 11,887,543,000 francs.

The wheat surplus continues to be a serious problem. It is estimated that more than 12,000,000 quintals (a quintal is about 3½ bushels) remain in storage, to which will be added 9,300,000 quintals from the current domestic crop and 2,500,000 quintals from Algeria, Tunis and Morocco. As the consumption of bread has steadily fallen in France since the war, only 78,000,000 quintals are now required by the domestic market as against 85,-000,000 in 1913. Hence the wheat growers find themselves embarrassed each year with a considerable surplus. The acreage planted to wheat has indeed been reduced, but this has been negatived by improved methods of cultivation and higher production per acre.

According to official statistics, the production of coal in France proper, excluding the Saar region, amounted to 47,247,000 tons in 1932 as against 55,057,000 tons in 1930. Consumption amounted to approximately 71,165,000 tons. Wages have been reduced about 6 per cent during the present year and surface workers now receive 33.97 francs (about $1.33 at par) a day and miners 36.84 francs (about $1.45 at par).

At the beginning of September Georges Bonnet, Minister of Finance, abolished the decree of May 16, 1916, by which no foreign bonds could be listed by the Bourse without governmental authorization. The suppression of this war measure, which has often delayed important transactions, was hailed with great satisfaction in financial circles.

Pierre Paganon, the Minister of Public Works, handled with great skill the difficult situation created by the strike of the canal-boat owners and operators in the Paris region and in the Northern Departments. Starting as a conflict between the owners of motorized boats and those who still had to use tugs, the quarrel paralyzed traffic by canal boat between Paris and the mining and industrial districts of Northern and Eastern France for almost a month. Serious trouble appeared imminent when the strikers stopped all navigation by constructing barrages of canal boats firmly lashed together. Police and naval detachments had to be called upon to maintain order and clear out the barrages. A compromise was reached through the mediation of the Ministry of Public Works, and at the end of August the situation on the rivers around Paris returned to normal. It was not until the end of September, however, that the strike was definitely settled and the gendarmes sent back to their barracks. The courts were most lenient toward the troublemakers, passing only minimum sentences, and in most cases these were remitted through the good offices of M. Paganon.

Anatole de Monzie, Minister of National Education, after a delay of several weeks, took a firm stand against the public school teachers who, on Aug. 3, had decided to strike for half an hour at the beginning of the school year as a protest against cuts in salaries and pensions, and had declared their right to teach internationalism and to encourage the refusal of military duty. In a circular sent to all school authorities, M. de Monzie warned the teachers that no strike would be tolerated, even one for half an hour, and he outlined, in forceful language, the duties of public school teachers. This circular met with the approval of a large part of the French public, which had been somewhat per-

turbed by the government's delay in meeting the threat of the teachers' association.

Premier Daladier, who is also War Minister, recently attended the army manoeuvres held in the east and inspected the new defense works along the border, while President Albert Lebrun visited cities in Alsace and Lorraine. On the other hand, both M. Daladier and Joseph Paul-Boncour, Minister of Foreign Affairs, declared their firm intention to make at least a good beginning toward disarmament at the Geneva Conference, thus giving some satisfaction to the left wing of the Radical-Socialist party. It also appeared that former Premier Edouard Herriot's trip to Russia was not undertaken without governmental approval, since on his return he was officially welcomed by Camille Chautemps, Minister of the Interior. Finally, Pierre Cot, the spirited young Aviation Minister, flew to Moscow, the first member of a French Cabinet officially to visit Russia. He was joined there by the famous French fliers, Codos and Rossi. These are visible signs that France is now on better terms with the Soviet Government than she has been for a long time, and this fact should conciliate the more radical elements in Parliament. M. Daladier's move in offering to M. Dalimier, former Minister in the Herriot Cabinet, the naval portfolio made vacant by the death of Georges Leygues, was considered as very happy. It was expected that at the annual meeting of the Radical party, which was to be held at Vichy on Oct. 5, little friction would develop and that M. Daladier would have his principal policies endorsed.

Dissension seems to reign supreme in the Socialist party. During the International Socialist Congress held in Paris on Aug. 23, Renaudel, Marquet and Deat, the so-called "neo-Socialist" leaders, published a manifesto in which they defended themselves against the accusation of attempting to form a "National Socialist" party. In a clear allusion to the German situation, they maintained that under the present circumstances they had to consider that the nation was a "fact," and that democracy must organize first of all through the nation, in order to work "toward international solidarity and peace." This manifesto was endorsed by 51 Deputies and 8 Senators.

At Angoulême on Aug. 25, three of the neo-Socialists outlined their program as follows: No inflation, a minimum wage with a 40-hour week, the development of government monopolies and the creation of such a monopoly for the manufacture of arms. While reasserting their solidarity with the Socialist parties of other countries, they declared themselves patriots and indicated that they would eventually vote for a budget which would give them some satisfaction. It was noted in the French press that such a program was quite similar to that of the left wing of the Radical party and presented some resemblances to the New Deal of President Roosevelt. The main point, however, was the unmistakable disposition of the neo-Socialists to cooperate with the present government.

At this point, Léon Blum, the Socialist leader in the Chamber, thought it necessary to deal with the insurgents, and on Sept. 7 the executive board of the Socialist party announced its intention of bringing the neo-Socialists to task before a meeting of the national council on Nov. 5. It is generally considered that such a step can result only in a split in the party. Thus, while the Radical-Socialist party

is more united than it has ever been, the Socialists show signs of the possibility of schism.

BELGIAN FEARS OF GERMANY

Belgian public opinion is quite perturbed by the almost daily incidents taking place on the German frontier. Several Belgian subjects of German origin have been arrested in Germany, and on Aug. 20 a Belgian policeman was wounded by a small group of young Nazis who were attempting to force the villagers of Burg-Reuland to give the Nazi salute. A similar incident occurred at Eupen on Sept. 1. Threats against the life of Professor Einstein, who spent the Summer near Ostend, were reported. These incidents go far to explain the statement of the Minister of War that the government would ask for an appropriation of about 600,000,000 francs for the construction of defensive works on the Herve plateau and the building of pill-boxes along the German border.

Two tunnels connecting Antwerp with the left bank of the Scheldt were formally opened on Sept. 10. The vehicular tunnel, more than 2,300 yards in length, reaches the heart of the city, with 475 yards under the river. The tunnel for pedestrians, only 618 yards long, accommodates about 8,000 persons per hour. The work was begun only last September and was completed a year earlier than was expected.

The Reichstag Fire Mystery

By SIDNEY B. FAY
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THE long-awaited trial to fix responsibility for the burning of the German Reichstag building on Feb. 27 opened at Leipzig on Sept. 21. No special guards were on duty outside the court building, but persons who had received cards of admission were searched for arms on entering. A microphone in front of the judge's bench and loud-speakers in the corners were installed to assure that all might hear clearly everything in connection with this political criminal trial, which involves greater political issues and has aroused more world-wide interest than perhaps any *cause célèbre* since the Dreyfus case.

Five men are accused: Marinus Van der Lubbe, a Dutch youth, a mason by trade, who was arrested with a Communist membership card in his pocket as he was leaving the Reichstag building just as the fire broke out; Ernst Torgler, a German Communist leader and former member of the Reichstag, who is alleged to have been seen talking with Van der Lubbe earlier in the day and who was in the building on the afternoon of the fire, but who voluntarily went to police headquarters the following morning to deny newspaper statements that he or German Communists had anything to do with the fire; and three Bulgarian Communist refugees, Georgi Dimitrov, Blagoi Popov and Wassil Tanev, who are alleged to have had dealings with Van der Lubbe.

The five men are charged with conspiring directly or indirectly to set fire to the Reichstag building. It is alleged that they intended thereby to

give the signal for a Communist revolution in Germany and that they are therefore guilty of high treason, for which, of course, the penalty is death. They were kept in prison seven months, Van der Lubbe and Torgler being shackled most of the time, and were subjected to a long preliminary examination, which, together with the evidence submitted by more than a hundred witnesses for the State, forms the basis of the charges against them.

Several weeks before the trial opened at Leipzig a group of foreign jurists and lawyers, fearing that the accused might not have a fair trial or adequate defense, because of the attitude of the National Socialists toward Communists, met in London and formed a self-appointed and unofficial commission to sift all the evidence they could collect and to offer their services. This commission consisted of Dr. D. N. Pritt, K. C. (England), chairman; Arthur Garfield Hays (U. S. A.), Dr. Branting (Sweden), Madame Moro-Giafferi (France), Gaston Bergery (France), Johannes Huber (Switzerland), Dr. Valdemar Huidt (Denmark), Dr. P. Vermeylen (Belgium) and Dr. Betsy Bakker-Nort (Holland). Dr. Branting and the French pacifist, Romain Rolland, requested permission of the German authorities to lay their evidence before the Leipzig Court or the prosecuting attorney, but were informed that under German law this could not be done before the trial, except under conditions that Branting and Rolland refused to accept. Several foreign lawyers also volunteered to serve as defense counsel, but were also told that German procedure did not permit the admission of foreign counsel except in exceptional circumstances.

Two Dutch jurists, at the request of Van der Lubbe's relatives, sought to assist his defense, but Van der Lubbe repeatedly, both before and during the trial, refused to accept their assistance. Later, during the trial, Arthur Garfield Hays was permitted to confer with Torgler's German lawyer, Dr. Alfons Sack, and was promised by the presiding judge that he might have an opportunity to introduce the material of the foreign jurists' commission as hearsay evidence. Ernst Torgler rejected the services of Mr. Hays as counsel, saying that he had perfect confidence in Dr. Sack, whom he had chosen to defend him. Dr. Sack was the most active of the defense counsel, and foreign jurists observing the case agreed soon after the trial opened that in the circumstances he was pursuing the best tactics. Mr. Hays himself, commenting on reports in some foreign papers that the Leipzig proceedings were merely a farce, repudiated the insinuations and declared that "it would be unfair to assume that the court is not independent."

Several weeks before the opening of the Leipzig trial many of the conclusions of the London jurists' commission were published by the World Committee for the Victims of Hitler Fascism under the title, *The Brown Book of the Hitler Terror* (New York: Knopf). The general substance of this volume is that Torgler and the three Bulgarians are in no wise guilty of the charges against them. As for Van der Lubbe, *The Brown Book* attempts to show that he was no real Communist, but rather a dupe of the Nazis, and that if he did set fire to the Reichstag Building he did it as an agent and for the benefit of the Nazis, since it gave them an excuse to suppress their bitterest foes, the Communists, to whom they attributed the outrage. Thus the episode led directly to the Nazi electoral victory on March 5 and to their eventual dictatorship.

The Brown Book does not "prove" that the Nazis burned the Reichstag, but it brings a good deal of circumstantial evidence against them—that Van der Lubbe could hardly have done it alone; that his accomplices probably escaped through the underground tunnel which connects the Reichstag with the residence of one of the principal Nazis, Hermann Goering; and that the current Nazi version of the fire is full of contradictions and improbabilities.

At the opening of the trial the presiding judge, Dr. Wilhelm Buenger, took cognizance of the passionate dispute which had been unloosed in the press of the world in regard to the Reichstag fire, but made it clear that the court would be guided exclusively by what took place in the court room itself. He explained why, under German law, the court had been unable to admit foreign lawyers, and repudiated a newspaper or foreign prejudgment of the case before the official trial. His whole subsequent conduct of the trial seemed to indicate his impartiality. He showed unusual patience in dealing with the passive, resistent and semi-silent attitude of Van der Lubbe and the somewhat obstreperous militant communism of the Bulgarian, Georgi Dimitrov. Toward Ernst Torgler, who made an excellent impression by his manly sincerity and straightforwardness, the presiding judge showed especial courtesy.

The results of the first two weeks of the trial, which was still in session as these lines were written, may be summed up briefly. Van der Lubbe, the chief accused, presented an enigmatic figure in an enigmatic case. In his preliminary examination he appears to have talked freely and willingly, admitting that he set the fire, expatiating on his anti-capitalistic views, though declaring that he was not a member of the Communist party in either Holland or Germany. He is said to have declared to the examining official that he welcomed the coming trial as it would afford him an opportunity to make a flaming public speech setting forth his views and denouncing capitalism. But when asked at the trial whether or not he had made such a declaration, he denied it. Throughout the trial he sat like a half-wit, his head sunk on his chest. Though usually silent when questioned, such answers as he did make were almost inaudible—"Yes," "No," "That may be," and so on. Sometimes he replied affirmatively and negatively to the same question. Frequently, without any apparent reason and without any coherent explanation, he interrupted the proceedings by bursting into laughter. For days he refused food and drink, so that he was put under the physician's care; his strength was seriously reduced, though not to a point requiring forcible feeding.

Psychologists have been unable to account for his conduct. One explanation, perhaps the most plausible, is that he has been somewhat unbalanced by revolutionary ideas and by a craving for public attention. This would explain his setting fire to the Reichstag and his attempts two days previously to set fire to other public buildings in Berlin. It would also explain why he desired the opportunity to speak at the trial. On the other hand, his unwillingness to do so at the trial itself and his apparently semi-idiotic silence and negativism might be due to the fact that he thinks he attracts more attention by his enigmatic mixture of laughter and silence than by assuming an attitude more normal for a defendant. Van der Lubbe seemed to understand enough German to follow the course of most of the proceedings, though some of

the questions have been repeated to him in Dutch in the hope of eliciting fuller and more intelligible replies.

From such answers as Van der Lubbe did make and from his statements at the preliminary investigation it appears that he once had been a member of the Dutch Communist party, but that he left it in 1931 "for personal reasons," which he refused to explain. Several times he sought to go to Russia with a companion, who separated from him and refused to go. Last February he arrived in Berlin, lodged a night or two in various places, and then, on Feb. 25, tried to set fire to the palace and a couple of other buildings. Two days later he made his way into the Reichstag with kindling material and set a fire in several places, using towels and even his own clothing to spread the fire when his kindling material gave out. In all these details he was precise. His motive, he said, was to attract attention against capitalism and rouse Germany to revolution. He repeatedly asserted that it was all his own work; that he had no accomplices—neither German Communists nor Nazis. He denied the truth of statements by witnesses for the prosecution who reported overhearing him converse with two German Communists with a view to burning the Reichstag.

Ernst Torgler, a wounded war veteran, 40 years old, energetically and firmly denied all charges of complicity. His aspect and demeanor, the lines of suffering in his almost ascetic face, his respectful, unprovocative and yet self-assured attitude toward his judges, and the apparent sincerity of his statement, with its undertones of indignation that he and his party should be charged with connection with the crime, visibly won him the sympathy and respect of the court as well as of the international audience that crowded the court room.

"My first words," Torgler began, "I want to devote to the truthful declaration that I am completely innocent, and that neither directly nor indirectly did I have anything to do with the criminal Reichstag fire. Because of indignation that I and my party were being connected with this crime I went voluntarily to the police headquarters with two lawyers on Feb. 28, the day after the fire, in order to protest against this outrageous accusation. For seven months I have had to keep silent. For seven months I have been kept in confinement, though I am innocent. For five months I was manacled day and night. I was able to stand all that not because I have strong nerves but because I knew I was innocent, and because I knew I was acting in the interests of the working people. I must use the first opportunity I have to state before the public with emphasis that I had nothing to do with the Reichstag fire."

Torgler then went on to survey his life and to admit his Communist views and writings. He showed how completely his ideas differed from those of Van der Lubbe in regard to the perpetration of individual acts of violence, which Torgler believed were more likely to harm than to help the Communist cause. He produced witnesses to prove his exact whereabouts and the people with whom he talked during the day and evening preceding the fire. He denied the truth of statements of witnesses that he had been seen talking with Van der Lubbe or the three accused Bulgarians, and showed that the rough resemblance of the persons with whom he did talk to the four other accused might perhaps explain the mistake of the persons testifying against him.

The three Bulgarians made no secret of their active part in Communist revolutionary activities in Bulgaria, because of which they had fled abroad and had been condemned *in absentia* to long imprisonment or death. Since 1924 they had spent their years in exile in Russia, Germany, France and elsewhere, collecting funds to aid the Communist movement in their native country and to secure an extension of the amnesty to their political friends. They admitted having made some false statements in the preliminary examination, fearing that their statements would be handed over to the Bulgarian authorities and be used against them and their friends. They admitted various infringements of German police and passport regulations and admitted, even gloried in, their activities in behalf of the Communist International. But they firmly denied knowing or talking to Van der Lubbe before their arrest, or of having anything to do, directly or indirectly, with the Reichstag fire.

Two of the Bulgarians, Popov and Tanev, do not understand German, so that all questions to them had to be translated; they were rather subordinate figures at the trial. But Georgi Dimitrov, the third Bulgarian, more than made up for the retiring attitude of his compatriots by his fluent knowledge of German and his obstreperous interruptions, contradiction of witnesses, appeals to Van der Lubbe to speak up and fiery defense of his own views and Communist activities. Many times Judge Buenger had to roar back at him and admonish him, "You are to be silent now," and even threaten to have him removed from the court room.

FASCISM IN AUSTRIA

Chancellor Dollfuss announced early in September that the only solution of Austria's internal and external difficulties lay in the creation of a Fascist State somewhat along Italian lines. Repudiating the parliamentary system, as well as "liberalism," "capitalism" and "Socialist misguidance," he foreshadowed as his ideal a corporate, authoritarian and Christian State. But he flatly rejected the Nazi methods of "coordination," terror and concentration camps. The latter, however, appear to have been subsequently adopted on a limited scale. On Sept. 22 a well-informed paper representing the Chancellor's own Christian Socialist party, indicated that the new government would be composed of a lower chamber elected by plural voting, and an upper chamber representing the various professions and provincial chambers. Over both chambers would be a Council of State consisting of twenty members to be appointed by the President.

Preceding this announcement, conflict had developed within the Cabinet between those who sympathized with the German National Socialists and those who opposed them. There was also conflict outside between the Heimwehr, who were clamoring for some kind of fascism, though not of the German variety, and the Socialists, who cling to parliamentary government. Amid these complications Chancellor Dollfuss decided on Sept. 21 to form a new non-party and non-parliamentary government in which he himself would hold the four portfolios of Foreign Affairs, Defense, Public Security and Agriculture, as well as remaining Chancellor. Major Emil Fey, regarded as a strong man, became Vice Chancellor, Dr. Schuschnigg, Minister of Justice and Education, and Dr. Karl Buresch, Minister of Finance. The Agrarian leader, Franz Winkler, who has been opposed to fascism in Austria, was dropped from the Cab-

inet, and General Karl Vaugoin was shifted from the Ministry of Defense to the Directorship of the State Railways. Dr. Dollfuss became virtually dictator, in fact if not in name.

With many groups Dr. Dollfuss has increased his popularity and strength by these measures—especially with a considerable part of the Heimwehr. Other groups have been increasingly antagonized, particularly those of pro-Nazi sympathies and their bitter opponents, the Socialists.

On Oct. 3, Dr. Dollfuss was wounded in the upper arm by a bullet fired by a 21-year-old former adherent of the Austrian Nazi party. A button on the Chancellor's vest deflected a second bullet, which might otherwise have pierced his heart. He recovered quickly and was able to attend to work at his office the next day. Thousands of messages of congratulation on his escape and a great throng at a thanksgiving service indicated the high regard in which he is held by his friends in Austria and by the outside world. To what extent the assassin was moved by political motives is not wholly clear. He declared that he did not intend to kill the Chancellor, but merely to make a protest against his government. His wife, however, has avowed herself a Nazi supporter. Nazi papers in Germany tried to fix the blame on the Austrian Socialists.

Spain Turns Right

By William E. Lingelbach
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Spain, within less than a month, has undergone two Cabinet crises. Prime Minister Manuel Azaña, whose remarkable leadership had kept him at the head of the government with only a brief interruption since December, 1931, resigned on Sept. 7. Two days of hectic conferences and negotiations followed until, on Sept. 9, Alejandro Lerroux, the aged leader of the Radicals (Conservative Republicans) undertook to form a new Ministry. But the Lerroux government was short-lived. On Oct. 3 it fell after the Cortes by a vote of 189 to 91 had refused a grant of confidence. Five days later a coalition Ministry headed by Diego Martinez-Barrios was formed.

The resignation of the Azaña government followed close on the heels of the defeat of the government's candidates in the election on Sept. 3 for the Tribunal of Constitutional Guarantees. President Zamora, convinced that the popular opposition to Azaña's policies was too strong to be longer defied by a helplessly divided Cortes, exercised his constitutional authority and forced the Premier's resignation.

Alejandro Lerroux, the chief critic of Azaña's alliance with the Socialists, formed a coalition government composed of five Radicals, three Radical Socialists, one representative of Republican Action and one representative of the Catalonian Left. This Ministry indicated a strong swing away from the policies of the Left which Azaña had been advocating. The Socialists, who dominated the Council of Ministers under Azaña, were conspicuously absent under Lerroux, although with 110 votes they constituted the strongest and also the best

organized of the seventeen parties in the Cortes. They bitterly opposed the new government.

The new Cabinet more nearly represented current public sentiment throughout the republic, as shown not only in the elections for the Court of Constitutional Guarantees but in the attitude of the church and of business and landed interests. Press and leading prelates of the church expressed great satisfaction that at last the government was in the hands of a man who, while anti-clerical, was not anti-church. Lerroux favors educational and agrarian reform, but wants to proceed slowly and with moderation; hence his unpopularity with the Left. But in the end the new Premier, unable to find the necessary support in the Cortes, was forced in his turn to give up the task of governing.

While the Socialists refused to participate in the coalition government of Martinez-Barrios, they gave the new Ministry their tacit support. Probably this was in part because the influence was much less pronounced than it had been in the Lerroux Cabinet. The new Premier, nowever, received a decree signed by President Zamora for the dissolution of the Constituent Cortes whenever the Ministry should deem a general election desirable. Thus the President, while obliged to accept a government based on the revolutionary parties, won his point that the Spanish people shall be permitted to express their sentiments on the radical program in elections for a new Cortes. With the formation of the coalition Ministry a most dangerous crisis was ended and Spain averted the threat of political chaos. While some degree of political stability may now be attained, it is probably true that the fall of Azaná has brought to a close the first and perhaps the most constructive period of the Spanish revolution.

In the south and west of Spain confiscations have been going on rapidly; on Sept. 15 many more lands came into government hands, and plans for cooperative peasant farming are being developed. Unfortunately, both peasants and landowners are dissatisfied, the former because of the slowness in the land transfers, the latter because of the expropriations and widespread incendiarism. The destruction of crops and cork groves is causing heavy losses.

Before the Lerroux Ministry fell, an early dissolution of the Cortes after the passage of the budget in October seemed likely. In the meantime, sweeping changes in the personnel of the administration were being effected by the new government. Officials and supporters of the Azaña régime were dismissed in great numbers to make room for the partisans of the Lerroux Ministry. From high government officials down to the police, employes were being changed with extraordinary celerity. Furthermore, many opponents of the Azaña régime were being brought back from exile or released from prison. The Ministry decreed a general amnesty for all who had been imprisoned on political charges since the establishment of the Republic.

Conspicuous among those released was Don Juan March, reputed to be the ablest business man and the richest individual in Spain. A determined opponent of Azaña and the Socialists, he was elected to the Cortes in the general election of June, 1931, but found himself confronted by impeachment proceedings, on the charge of having obtained certain of his concessions under the monarchy by bribery and corruption. He was unseated and

imprisoned, and for over a year had been in prison in the old university town of Acola di Hinares, awaiting trial. During all this while, he directed his vast business enterprises from his prison cell and at the same time kept up his fight with the government. Rumor credited him with buying all the worth while newspapers of Madrid in the interests of Lerroux and the moderates. A republican, he is bitterly hostile to the Socialists, proclaiming loudly that "if the Socialists do not go the republic must."

Seeking to avoid a possible outbreak of strikes, the government suspended several mass meetings of Socialists, ultra conservatives and agrarians. But labor disturbances in the Asturias continued during the month and, as a special protest against the Azaña government, 32,000 miners went on strike during the week of the elections. In the Province of Seville, on the other hand, peasants threatened to strike because of the delay in the division of the land.

News of the men held captive by the Moors since the disastrous defeat of Spanish forces in Morocco twelve years ago has recently been filtering through. Late in September the *Telegramma del Rif* reported that negotiations for their release were progressing favorably and that the prisoners would shortly be taken by caravan to Cap Juby.

The difficulties of the little Republic of Andorra continued during September. An election on Aug. 31 resulted in the choice of councilors hostile to the interference of the coregents, the French President and the Bishop of Urguel, who are, it is claimed, influenced by the interests of the Hydroelectric Power Company. The councilors were sworn in on Sept. 18, and at once took over control from the six consuls who had acted as a provisional government. A farmer, Pere Torres, was elected President.

Vigorous protests have been made to the Spanish Government against the special rebate in customs duties granted to French imports, especially automobiles, under the trade agreement of last June. British and Italian motor industries have found themselves particularly handicapped by the special concessions to French manufactures.

According to an Associated Press report, Spain's unemployment problem is relatively insignificant. Official statistics published recently record only 285,898 unemployed—less than 1 per cent of the workingmen in a population of 25,000,000. In addition, there are about 250,000 partially employed.

ITALY LOOKS AHEAD

Conspicuous among the questions that occupied the attention of the Italian press during September were the prospects of the Parliamentary elections next Spring, when the present Chamber of Deputies, chosen in January, 1929, under the new Fascist electoral law, will have served its full term of five years. By that law the executive council of the thirteen corporations, or syndicates, nominated 800 candidates, each national syndicate naming an equal number of employers and employes. To these were added 200 others nominated by cultural and charitable institutions. From the list of 1,000 the Grand Council of the Fascist party selected 400 names to make up the national list, which was then submitted to the voters to be voted upon as a whole, "Yes" or "No." In a total vote of 8,657,350, only 137,361 voted "No." The men whose names were on the list were declared elected, and Italy had the first Par-

liament based on vocational rather than on geographic interests.

The new Parliament, however, has not functioned effectively because its powers are not well defined and are too largely nominal. The initiative in economic matters is exercised by the National Council of Corporations, while in political affairs the Duce and the Grand Council of the Fascist party are all-powerful. It is not surprising, therefore, that the press has discussed suggestions for a radical change in the composition of the Chamber. The plan that seems to meet with most favor would merge the Chamber with the National Council of Corporations and in that way consolidate control over the vast economic organism of the Fascist corporative State.

Next in order of prominence in the Italian press have been articles on foreign trade and foreign policy. At a Cabinet session on Sept. 16 a decree was adopted for measures to protect Italian products against the competition of goods imported from countries with a depreciated currency. Under the terms of the decree the government is empowered to raise duties on goods to a point sufficient to compensate for the depreciated currency. The duties on many American products have been greatly increased, especially on automobiles. Similar action has been taken in regard to motion pictures. The percentage of Italian-made films which must be shown is to be higher and the tax on foreign films has been raised; part of the proceeds will be devoted to the promotion of the Italian film industry. By such efforts as these, and a strong propaganda in favor of Italian manufactures, Italy's unfavorable trade balance is being steadily whittled down. According to government statistics, the last five years have seen a reduction of over 80 per cent in the annual trade-balance deficit. Tourist expenditures and remittances by emigrants, according to Italian economists, more than make up for what remains.

Following the *rapprochement* with Austria and the earlier accord with Hungary, vigorous efforts are being made to stimulate Italian trade relations with Central Europe. According to the terms of the Austro-Italian trade-pact, signed at Riccione on Aug. 31, Italy is to grant preferential treatment to Austrian manufactures, buy chiefly Austrian goods for State-controlled industries and transport systems and concede at Trieste a free zone for Austrian overseas trade. Austria on her part is to build a merchant marine under government auspices with its base at Trieste, where Austrian maritime traffic will be concentrated and which will become the main port of embarkation for Austrian emigrants.

With Great Britain and France, Italy has also agreed to a new military organization in Austria. [See the article by Professor Nevins on page 199.] Through the *rapprochement* with Austria and Hungary and the cordial relations with Bulgaria—Italy's popular Princess Giovanna is the wife of King Boris of Bulgaria—the Duce is making a strong bid to associate the mid-Danubian countries with his Mediterranean program. In the meantime the Four-Power Pact has given Italy an important position in the group of larger powers and improved relations with France without destroying the possibility of cordial relations with Germany, should that power return to normalcy.

Despite the government's determined efforts and the careful planning of the National Council of Corporations, the Italian budget cannot be balanced. The deficit for the fiscal year 1932-33

is 4,216,600,000 lire (almost $222,000,000 at par), an increase of 1,205,600,000 lire over last year, and considerably in excess of the estimates laid before the Chamber of Deputies by the Finance Minister. The deficiency arises from a falling off in the returns from direct taxes on business and from customs, and in the increased expenditure on education, public works, agriculture and the military services. On the other hand, the government monopolies on tobacco, salt, matches and quinine show greatly increased profits.

Unemployment increased during the second half of August and early September. Official reports for the period showed additions in the different classes of over 64,000, bringing the total to 884,560—an extraordinary showing for a population of 42,000,000 in a country of slender natural resources. In 1931 the numbers rose to a peak of 1,300,000, when well-planned measures to combat the growing menace were inaugurated.

On Sept. 2 one of the world's famous aviation heroes, General Francisco de Pinedo, came to a tragic end by the burning of his monoplane on the take-off at Floyd Bennett Field, New York, for a distance-endurance hop to Bagdad. A World War veteran, General Pinedo had been Chief of Staff of Italy's Royal Air Force, had flown across the Atlantic twice, led a fleet of twenty-four planes to the Near East, and in 1925 covered a distance of 34,375 miles from Italy to Melbourne, Tokyo and Rome in 370 hours of actual flying time. According to some, the General took advantage of his popularity and paid court to the Princess Giovanna, now Queen of Bulgaria, thereby incurring the displeasure of the King. According to others, he quarreled with General Balbo, his chief, because of his failure to report the moneys raised by Italian-Americans for a new plane after the burning of his own in Arizona. Whatever the reason, in 1929 he was assigned to foreign duty as air attaché at Buenos Aires, a position from which he resigned about a year ago. The body was taken back to Italy where it was received in state, the government and Premier Mussolini according it special honors.

Consolidating the Little Entente

By Frederic A. Ogg
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Foreign Ministers Benes of Czechoslovakia, Titulescu of Rumania and Jeftich of Yugoslavia opened at Sinaia, Rumania, on Sept. 25, the most recent of the long series of Little Entente diplomatic conferences. The meeting lasted three days, and at one of the sittings, for the first time in the history of these gatherings, the titular heads of two of the States, King Carol of Rumania and King Alexander of Yugoslavia, were present. Among topics reported to have been discussed were the significance of recent visits of Premier Goemboes of Hungary and Chancellor Dollfuss of Austria to Rome, the relations of France and of the Little Entente with Poland, Danubian union and the general problem of solidarity

in the policies of the three affiliated States. M. Benes is said to have been commissioned to go to Rome at an early date to inform Premier Mussolini of the Little Entente attitude toward the present European situation —a move which has seemed to observers to betoken a disposition on the part of the three powers to look to Italy for cooperation.

Supplementing the purely diplomatic meeting at Sinaia, a meeting of the Economic Council of the Little Entente was to take place in Prague in October. Among the matters announced for consideration were: (1) Cooperation of steamship companies operating on the Danube, closer cooperation of banks of issue, various proposals regarding the shipment of merchandise through the territories of the three States and a tri-State commercial treaty—all submitted by Yugoslavia; and (2) the development of direct railway connections of the three States (proposed by Czechoslovakia).

POLISH FOREIGN RELATIONS

Marshal Pilsudski, long the hated foe of Russian Communists, has been invited to Moscow as the guest of the Soviet Government for the Red Army celebration on Nov. 7 of the anniversary of the Bolshevist revolution. Accompanying the invitation, as a personal gift from Joseph Stalin, was a batch of old Czarist police documents relating to the Marshal's pre-war revolutionary activities against the Czarist régime. About the same time, the Pilsudski organ *Gazeta Polska* published a lengthy and significant article by the leading Soviet political commentator, Karl Radek.

These courtesies, together with simultaneous ratification in Warsaw and Moscow on Sept. 15 of the pact signed by Poland, Russia and six other nations in London on July 3 defining the meaning of "aggression" in case of war, lent color to the belief that the two former enemy States, in the face of the new danger from Germany, were moving toward a military pact. Further support for the view was seen in the assembling of numerous Polish high officials, including Foreign Minister Beck, at Zaleszczyki, a Polish holiday resort near the Rumanian border, where Marshal Pilsudski had been staying, and in rumors that discussions were to take place there not only with Soviet representatives but also with Premier Vaida-Voevod of Rumania. Complete secrecy surrounded the incident, but observers, both Polish and foreign, were convinced that something in the nature of a Polish-Soviet—and probably a Polish-Soviet-Rumanian — military understanding was in prospect. Meanwhile, also, the coolness between Poland and France, springing from the latter's partnership in the Four-Power Pact, was manifestly disappearing; the cordiality attending an official visit to Paris by Foreign Minister Beck on Sept. 20 gave substance to this belief.

Following prolonged negotiations at Warsaw, the governments of Poland and the Free City of Danzig signed, on Sept. 18, an agreement ending the heated controversy which had arisen out of the commercial and shipping rivalry between the port of Danzig and the newly developed Polish port of Gdynia. Under the terms of the settlement, Poland agreed henceforth to direct 45 per cent of her annual imports and exports passing by way of the Baltic through Danzig and the remaining 55 per cent through Gdynia. Enforcement of the agreement is to be supervised by a mixed Polish-Danzig commission. Thus an issue which has been repeatedly before the League of Nations has pre-

sumably been removed from the arena of international politics. The merchandise turnover at the port of Gdynia in July reached its all-time maximum of 608,804 tons. Under the new arrangement the total will no doubt, for some time at least, be smaller, but will continue to include all water shipments of Polish coal.

On Sept. 6 the Warsaw government successfully floated an internal 6 per cent loan of 120,000,000 gold zlotys ($13,464,000) to cover the budget deficit for the current year.

CZECHOSLOVAK MINORITIES

Much excitement was caused in Czechoslovakia in mid-September by the publication in a Nationalist newspaper of a letter allegedly addressed by Papal Nuncio Ciriaci to Father Hlinka, leader of the Slovakian Autonomist party, complaining that he had been subjected to insults and expressing dislike for Prague as a place of residence. The matter was discussed at a special meeting of the Cabinet, where it was decided to voice official objection to the letter and to demand the recall of the Nuncio to Rome so that he might explain his action to his superiors. The decision was construed as tantamount to an indication that the Nuncio had become *persona non grata.* The Catholic press sought to defend the envoy on the ground that he had actually been insulted by the newspaper *Venkow,* the organ of the Czechoslovak Premier.

Acting Premier M. Bechyne, Minister of Railways, declared in Prague on Sept. 26 that the activities of the Slovakian Autonomists, the Hungarian Irredentists and other separatist groups had become so obnoxious that the government was preparing drastic measures to end them. The immediate occasion of the announcement was a clash at Tyrnae on the previous day between gendarmes and several thousand adherents of the Slovakian party. According to the *Pravo Lide,* the government was planning to oust from their positions all priests, school teachers and civil servants who participated in Slovakian or other autonomist demonstrations.

Speeches breathing defiance toward Germany were delivered by Czech Agrarian leaders at a huge gathering at Katherinenbad on Sept. 4. The tone of the address resembled that set by President Donat of the Senate when he declared that Germany is preparing for war and for Czechoslovakia's dismemberment, and that "the whole nation must take up the cry, 'No revision, but fist against fist and people against people.'"

DANUBIAN UNION AGAIN

At a moment when German Hitlerism has thrown Hungary, Austria and the three States of the Little Entente closer together than at any time since the war, the deplorable economic condition of Central Europe has prompted fresh efforts to find a solution for the Danubian problem. About the middle of September, Foreign Minister de Kanya of Hungary visited Paris, where discussion of the subject with Premier Daladier and Foreign Minister Paul-Boncour is reported to have centred chiefly on the possibility of reviving the Tardieu plan, which envisioned a series of bilateral treaties between various Danubian States, to be followed by an economic union embracing the entire group. A year ago the scheme fell on barren soil, mainly because of the opposition of Germany and Italy. At present, however, with France and Italy on better terms, with all the Danubian States alarmed over Hitlerism and with the economic situ-

ation going from bad to worse, there is reason to hope that something can now be achieved.

The particular contribution to the discussions thus far made by Hungary is a proposal for an international bureau for the sale of agricultural products, with power to direct exports, regulate exchange of goods and money and fix prices. The French position remains what it has always been. As semiofficially voiced in an editorial in *Le Temps* on the occasion of M. de Kanya's visit, Paris has no objection to any Danubian plan, and, indeed, stands ready to furnish money to aid in carrying out its terms so long as the arrangement is purely economic and carries no hint or suggestion of any political reorientation such as revision of the territorial or other clauses of the peace treaties. Before lending active support to a plan embracing Hungary, the French Government would indeed probably expect Budapest formally to renounce all revisionist ambitions. Therein lies the rub, for, as Premier Goemboes, with characteristic bluntness, reminded French newspaper correspondents a week after the de Kanya visit, revision is Hungary's dominant aim.

In a report published by the Budapest Government on Sept. 26, the financial committee of the League of Nations testified that the budgetary position of Hungary had improved since the last report, to the extent, at all events, that this year's deficit is less by 23,000,000 pengoes (about $4,000,000 at par) than that of last year. The prospective deficit in the coming year is estimated at 76,000,000 pengoes (about $13,290,000 at par).

BULGARIAN FOREIGN POLICY

Following a visit of King Boris and Queen Giovanna to London during the first week of September, the royal pair went to Paris, where the King had several conversations with Prime Minister Daladier and Foreign Minister Paul-Boncour. Though announced as merely a matter of courtesy, the trip to Paris was widely interpreted as having a political object—the establishment of a new Bulgarian orientation toward France and her satellites and the arrangement of credits which can hardly be obtained from any other source. Similarly symptomatic of a new orientation was a visit at about the same time by fifty representatives of Bulgarian industry and commerce to Belgrade and other Yugoslav cities, the first of the kind since the war.

Significant, too, was the departure from Istanbul on Sept. 16 of Tewfik Rushdi Bey, the Turkish Foreign Minister, with a view to inviting Bulgaria's adherence to a peace pact similar to that recently signed with Greece. The outcome of this effort was expected to show whether Bulgaria is really willing to cooperate in building permanent peace in the Balkans.

GRECO-TURKISH PACT

Greece and Turkey, a few years ago the bitterest of enemies, signed at Ankara, on Sept. 14, a ten-year pact of non-aggression, inspired, so the preamble declares, by the spirit of the Briand-Kellogg Pact and by desire to give fresh proof of common attachment to the cause of world peace. Having mutually guaranteed the inviolability of their common frontiers, the two States agree: (1) That in all international questions affecting them they will first consult each other in order to obtain a common line of action in conformity with their friendship and to protect their common interests; (2) that in all international meetings in which representation is

limited, the delegate of one shall defend the common and individual interests of both and that they will use their combined efforts to obtain such representation, either in turn or exclusively, by the one whose interests are more directly at stake; and (3) that the pact shall remain in force for ten years, and unless denounced by either party a year before expiration shall be renewed after an exchange of ratifications at Athens. An accompanying official announcement expressed the hope that the agreement may be extended to embrace other countries, thereby further insuring the peace of the Near East.

The same visit of the Greek Premier and other officials to Ankara resulted in a settlement of all outstanding questions relating to the exchange of populations and to the status of minorities in Istanbul and Thrace, and also in an agreement to set up a special mixed commission to coordinate the economic policies of the two countries. Effort is to be made to check the growth of competing industries, to encourage reciprocal trade and to develop a system of common marketing abroad of tobacco, olive oil and dried fruits.

RUMANIAN FINANCES

In a speech at Campa Lung on Sept. 10, M. Mihalache, vice president of the National Peasant's party and Minister of the Interior in the last Cabinet, criticized the Rumanian Government's attempts to maintain the leu at the present rate and advocated restabilization at a convenient level. Rumania, he asserted, is placed at grave disadvantage in competing with countries which either have gone off the gold standard or have inflated their currencies. Statements emanating from official sources indicated that the Cabinet did not associate itself with the ex-Minister's views and had no intention of modifying its policy.

Considerable interest was stirred by a reunion of the royal family at Pelesch Castle, Sinaia, on Sept. 24, which seemed to suggest that the various rifts of past months and years are being closed. In particular, it was noted that King Carol and Prince Nicholas, his brother, have apparently become fully reconciled.

Aftermath of the Kreuger Crash

By Sidney Hertzberg

More than a year and a half has passed since Ivar Kreuger was found in his Paris flat, killed by his own hand. During this time thousands of security holders and creditors of his three principal companies have been digging in the ruins of his house of matches for the few sticks that have not burned out. For a while the search was a mad scramble, with investors in Kreuger & Toll and the Swedish Match and International Match Companies making claims and counter-claims on each other for everything in sight. This was understandable in view of Kreuger's methods of operation. His complicated intercompany transactions, his dummy corporations, his dishonest accounting and his actual forgeries

created so much confusion that no one could be sure to whom any particular asset belonged and how much of it was real, if it existed at all.

The final report of the official auditors of Kreuger's enterprises was issued on Jan. 9, 1933. Some indication of the magnitude of their task may be had from the fact that they received $160,725 for their services. The report showed that from June 1, 1918, to March 31, 1932, Kreuger obtained from the public a total of $724,000,000. Of this, $560,000,000 came from the sale of shares and debenture issues and $164,000,000 from bank loans and bills. Kreuger's investments originally involved $458,280,000; at the end of the period covered by the audit their real value was provisionally put at $207,000,000—a shrinkage of $250,580,000. Kreuger's profits during these fourteen and a half years were supposed to have amounted to $315,900,000. Actually, the auditors reported, they were $40,450,000, including the doubtful items. In other words, Kreuger's companies earned not more than 1½ per cent on the relative average capital invested. His reputed profits were nearly 90 per cent fictitious. Kreuger's "withdrawals" for personal purposes were estimated at more than $100,000,000.

The fight for Kreuger's assets involves a mass of detail with which it is impossible to deal here. The claims filed against the International Match Company, for example, amounted to $1,200,000,000 in October, 1932. This was finally brought down to $100,000,000 in July. The claims against Kreuger & Toll were of similar proportions. On Sept. 1 a partial distribution of $25 on each $1,000 principal amount was made to holders of Kreuger & Toll 5 per cent secured sinking fund gold debentures.

A final liquidation of Kreuger's enterprises is now in sight. Late in September it was made known that the security holders and creditors of Kreuger & Toll and the International Match and Swedish Match Companies had decided to suspend all actions against one another and had appointed delegates in Stockholm to assist in a general reorganization of the world match business. This move was prompted by the realization that it was the only way to avoid the disintegration of the companies' properties and the additional losses which would follow for all the groups concerned.

The Swedish Match Company, which was not allowed to go into bankruptcy, will be made the nucleus of a single system. Most of the government match monopolies held by this concern are based on contracts that would lapse if they were sold or conveyed to any other company. The new set-up will be as simple as possible. All properties and assets not directly connected with the match business will be disposed of. After the positions of the various groups have been brought into harmony, a plan will be presented to the investors of the three companies.

Sweden's attitude throughout the affair has been one of complete frankness. As a result of the investigations made by the authorities, more than fifty persons have been prosecuted, and twenty have been convicted and sentenced. These include Ivar Kreuger's brother Torsten, who was sentenced on Dec. 18, 1932, to three and a half years at hard labor and ordered to make good the losses suffered by buyers of bonds concerning which he issued misleading statements. Nils Ahlstrom, former vice director of Kreuger & Toll, was sentenced on May 11 to three years and three months at hard labor.

American investors, from widows and orphans to the most astute and

conservative banking houses, poured more than $250,000,000 into Kreuger's kingdom. On Dec. 28, 1932, two suits were filed by the trustee in bankruptcy for the International Match Company against its eight American directors. Damages of $249,981,000 for disbursements of unearned income were demanded in one action. The other asked for an accounting of $100,000,000, alleged to have been wrongfully paid out by the company in the course of Kreuger's machinations.

ANGLO-FINNISH TRADE PACT

The last of the trade agreements between the nations of Northern Europe and Great Britain was completed by Finland early in August after eleven weeks of discussion. The provisions of the pact, which were not announced until two months later, follow the pattern of the recent British agreements with the Scandinavian countries. Finland will buy three-quarters of her coal and a somewhat smaller proportion of her coke from Great Britain. She will also reduce her import duty on printed cotton piece goods 40 per cent, on other cotton piece goods 9.2 per cent and on woolens and sundry other products. The British concessions had not yet been made public.

Trade between the two countries has always been distinctly favorable to Finland. In 1932 Finland sold abroad $115,787,500 (4,631,500,000 finmarks) of goods. Great Britain bought 46.8 per cent of this total, and thus was by far Finland's best customer. On the other hand, Finland in 1932 bought from Great Britain only 18.6 per cent of her imports, which totaled $87,557,500 (3,502,300,000 finmarks). Germany, which in 1932 absorbed only 7.4 per cent of Finland's exports, supplies 29.1 per cent of the Finnish imports. The Finns realize that Great Britain is justly entitled to a greater share of her foreign purchases. Figures for the first seven months of 1933 already show a tendency to buy more from Great Britain and less from Germany. Finnish business men seem to be favorably disposed to diverting trade in this direction because of the increasing restrictions on imports in Germany. Once the disposition is there, Finland can carry it out through her powerful industrial associations and retail co-operative societies.

Great Britain, in the meantime, has applied to Finland the interesting formula for polite economic penetration which she has already used in Denmark and Sweden. From Sept. 4 to 10, Finland celebrated British Week. The technique touches upon almost every aspect of the people's life. The patrons were the Prince of Wales and President P. E. Svinhufvud, who sent their best wishes. Almost 10,000 shop windows displayed British goods, which were shipped to Finland on the understanding that they could be returned free if unsold. Festivities were officially opened by Lieut. Col. John Colville, Parliamentary Secretary to the Department of Overseas Trade.

Miniature models of almost every type of British aircraft were on display. Overhead flew four large British flying boats. The Union Jack was displayed with the Finnish flag on government buildings. The band of the Second Battalion, the Black Watch, sent specially by the War Office played twice a day. Finnish ladies mingled with sailors at a dance aboard the British warship York, sent by the Admiralty. Performances were given by the British Folk Dance and Song Society. Finnish and British athletes raced and played tennis. British men of letters lectured in the University

Hall. Sir Nigel Playfair presented English plays. The principal cinemas showed British films. The Bishop of Wakefield preached in a Helsinki church. There were luncheons, teas, dinners, receptions and displays of British-made fireworks.

The British exporters, in the meantime, were supposed to be getting orders from the Finnish importers. Possibly British Week was necessary to create a sympathy for British products.

DENMARK'S "CRISIS" BILLS

With the reconvening of the Riksdag in the middle of September, Denmark's minority Social-Democratic Cabinet is again at its familiar task of securing the enactment of economic measures which contain as much socialism as will be acceptable to the bourgeois Liberals, whose wishes must be consulted. The most contentious proposal is a new income tax. All investors in enterprises other than their own businesses would pay a 10 per cent tax on the income derived from them in addition to the normal income tax. Banks would be exempted. A similar 10 per cent tax would be placed on the income, with some exceptions, from housing property.

The $9,500,000 these taxes would be expected to yield would be used to help finance the "crisis" bills. These provide for the reduction of farm mortgage interest rates by not more than ½ per cent semi-annually, through direct subsidy or conversion; the fixing of a maximum rate of interest on new mortgages; government loans for the reconstruction of old houses; the fixing of a minimum price for grain and butter; devices for raising the price of wheat; cheap loans to small business men and fishermen, and $4,750,000 for the relief of the unemployed.

Right Wing groups balked at the extent of relief proposed for the unemployed, but the Social-Democrats insisted that this item was especially necessary in view of the proposals for raising the prices of agricultural products. The parties were still deadlocked at the beginning of October.

The percentage of Danish unemployed trade union members at the end of July was 22.2, compared with 28.7 per cent at the end of July, 1932. While the total value of foreign trade increased slightly, the import surplus for the first six months of this year fell to $1,875,000 from $10,500,000 for the same period in 1932.

Stalin's Policy Wins

By EDGAR S. FURNISS
Dean of the Graduate School, Yale University

THE outcome of the Russian harvest has made it quite clear that the food crisis with its attendant threat of peasant unrest is now a thing of the past. The principal grain-producing areas have almost without exception returned bumper crops. Despite some lag in harvesting and threshing, due chiefly to the very bounty of the harvest, it is already apparent that the supplies of food available to the Russian people this Winter will be the largest in years. On Sept. 15 President Kalinin announced that on Sept. 1 the

government's grain requisitions were 40 per cent completed—a total of 360,000,000 bushels, compared with 120,000,000 on the corresponding date in 1932. This announcement revealed for the first time the enormous total of 900,000,000 bushels, which is scheduled for collection this year. The authorities expect to have these supplies in hand before the end of December.

The rules under which the farms are now operating set grain requisitions at a definite figure for each peasant and each collective. When delivery of the specified amount has been made to the Soviet authorities, the individual peasant is immediately at liberty to sell his surplus in the free market and to spend the proceeds as he pleases. The collective farm, after completing its deliveries, may proceed at once to divide up the remainder of the crop among its members, according to ratios decided upon at the time the collective was organized. The members, in turn, are free to dispose of their surplus holdings. The definiteness of this tax burden on the peasant contrasts with the uncertainty which prevailed last year, when repeated requisitions were made on the prosperous farms to cover the deficiencies of others. It has had as much to do in producing the optimism and contentment which now prevails in rural Russia as has the success of the harvest itself, since the new regulations assure the individual that he will receive his own share of the general prosperity.

Already many areas have fulfilled their requisitions and are engaged in open market sales. In others the collectives can forecast the amounts of grain which will remain in their hands, and their members can calculate their own shares. As a result, grumbling about the collective system has died down and the threat to the stability of this basic Soviet institution, which last Spring reached formidable proportions, has disappeared.

For the time being food prices remain high and food rations scant in many sections of the country outside the grain areas, but this condition is expected to change rapidly as the collections near completion and the free market becomes active. Government estimates indicate that the food supplies left in the hands of the peasants will provide for the needs of a large part of the urban population. In that event, what the government will do with its large holdings of grain is not clear. It is probable, however, that a substantial amount will be exported—a prospect which has already begun to influence the price of grain futures in the world market. The failure of the world wheat conference to agree upon a program, and its adjournment on Sept. 28, reflect the optimism of the Soviet Union with regard to her future export capacity. The Soviet delegate demanded an export allotment of 75,000,000 bushels—double the quota proposed by the conference—and by refusing to accept any compromise, brought to an end for the time the attempt of the principal agrarian nations to stabilize the world grain market by agreement.

These favorable developments in Soviet agriculture have both hindered and promoted industrial progress. The focus of energy upon the crucial problem of harvesting an unusually rich crop has drawn great numbers of workers from the factories to the farms, leaving many important industries short-handed. It has also placed a heavy strain upon the none too effective transportation system with the result that supplies of raw materials and fuel have fallen below the needs of the factories. On the other hand

the improved food supply has diminished the ruthlessness and improved the efficiency of the industrial workers; a similar effect is observable as a result of the new policies of labor discipline.

Whether for these or other reasons, there has been a notable increase in daily productivity per man throughout Soviet industry, an increase estimated at 11 per cent in the heavy and 7 per cent in the light industries as compared with last year. Since the inefficiency of the workers has been the most serious weakness of the Soviet industrial system, these gains are of real importance. Other indices of industrial production point to perceptible progress, but at a rate below the specifications of the plan. At the end of the first six months industrial production was 2.3 per cent ahead of 1932, whereas the program specifies an increase of 16.5 per cent before the end of 1933. Except in certain isolated lines such as automobile production, which has doubled; in steel, the output of which has increased 43 per cent, and in iron, with an increase of 30 per cent, it is evident that performance will fall short of prediction for the year as a whole. These facts are exhibited by some commentators on Russian affairs as evidence of the failure of the Soviet program. It is well to bear in mind, however, that they indicate positive gains as compared with last year, and especially that these gains have been achieved in the midst of a serious agrarian crisis.

Similar improvement is apparent in the external economic relations of the Soviet Union. The present year has been acknowledged to be one of critical importance, because of the large amount of Soviet short-term indebtedness which comes to maturity in foreign markets. Certain recent developments, however, have rendered Russia's position much less precarious than it was even a few weeks ago. After two years of adverse trade balances, amounting to $125,000,000 in 1931 and $117,000,000 in 1932, the first seven months of 1933 have returned an export surplus of over $20,000,000. Furthermore, the expansion of Russia's gold-mining industry has given her an unexpectedly large output of precious metal, estimated at $60,000,000 for the year. Again, she has been successful in obtaining a renewal of credit in unfriendly countries—in Great Britain and even in Germany. The United States has rather abruptly become a lending country, first in a small way through the R. F. C. cotton purchase credit granted some weeks ago and now on a more generous scale by an additional credit of $50,000,000 to $75,000,000 which is about to be concluded between the R. F. C. and Amtorg.

Of even greater importance than these developments has been the Soviet Union's success for the first time in floating a long-term bond issue in a foreign market. Exclusion from foreign sources of investment credit has forced Russia in the past to adopt the dangerous and expensive policy of financing capital purchases with short-term borrowings. In the United States only Communist sympathizers have bought Soviet bonds heretofore, and only these through insignificant individual transactions carried out with the State Bank in Russia. Many European countries have prohibited even this small outlet for Soviet bonds in their markets. But now a long-term issue is being offered in New York to American investors by an American agency and is finding a good market. The bonds bear 7 per cent interest, run for ten years and are redeemable in gold at the option of the buyer at any time

after the first year. No importance attaches to the details of this particular issue or to its successful outcome as a business venture. What is significant is the fact that the Soviet authorities have at last overcome the opposition of the American State Department, which until the present has effectually debarred the Russians from our investment market. As a precedent, and as a forecast of the future, this breach in the world's credit embargo is of the utmost importance to Russia. The Soviet Union has made it clear that she believes this to be the beginning of a new financial policy which will place her economic program on a much more stable basis.

In the realm of international political relationship, recent events have served to mark out more clearly the lines of development which have been emerging during the past few months. Stated in general terms, Soviet policy appears to be one of affiliation with France and her allies in Europe, in contrast with the earlier Soviet trend toward *rapprochement* with Germany and the treaty revisionists; of a firmer attitude toward Japan as well as toward Hitlerite Germany, and of a comprehensive stabilization of relations with other countries, including the United States. In all these respects Russian policy has made progress during the past month.

Steady improvement in her relations with other European countries has encouraged Russia to take a more aggressive attitude toward Germany. The inspired press is bitter in its denunciation of the Hitler régime, and scornful and bellicose in its comment on the attempts made by Germany to improve the tone of their relations, for example, Foreign Minister von Neurath's studiedly friendly reception of Soviet Ambassador Khinchuk on Sept. 16. The exclusion of Soviet press correspondents from the Reichstag arson trial gave the Russian Government a pretext to give official expression to its unfriendly attitude toward Germany, which it did not only through a formal note of protest, but by ordering the expulsion of all German press representatives from Moscow. As these incidents follow each other they leave no room for doubt as to the Union's intentions with regard to its position in the European alignment.

Toward Japan, too, the Soviet Union has assumed a firmer attitude. [See Professor Dennett's article on page 256.] Yet, despite the strain upon their relations, Japan and Russia have recently begun negotiations for a trade agreement. But this fact has not restrained the Soviet press from continued and angry demands for a show-down in the Far East.

This threatening attitude toward Russia's enemies in Central Europe and the Far East goes hand in hand with, and is probably inspired by, the increasing cordiality of her relations with the rest of the world, and especially with France. The former French Premier, Edouard Herriot, returned on Sept. 13 from his mission to Russia, having succeeded in drawing the two countries into a position of sympathetic understanding. Almost at once negotiations were begun for a new trade agreement, which is to consummate the recently concluded treaty of amity. Before the end of the month an impressive air mission, led by Pierre Cot, the French Air Minister, visited Russia with the object of bringing about cooperation between the Franco-Soviet air forces.

In other European quarters there are similar evidences of a strengthening of Soviet relations. Premier Mussolini and Soviet Ambassador Potemkin on Sept. 2 signed the promised treaty of friendship, non-aggression

and neutrality, an act which was interpreted in Moscow as having put an end to any possibility that the Four-Power Pact would ever be used against the Soviet Union. To strengthen the understanding with Poland, the Soviet Government has invited Marshal Pilsudski to Moscow, and preliminary negotiations are under way in Warsaw for a Polish-Soviet military pact to be discussed on that occasion. Of general interest to Catholic countries of Europe, whose attitude toward the Union has been colored by the religious issue, was the report from Rome that the Italian Government was trying to bring about an accord between the Vatican and Moscow.

In the case of the United States, while no definite occurrence can be cited as evidence of an approaching change in the American policy of non-recognition, there is a general and increasingly confident belief that such a change is coming. In Washington it is rumored that before Congress convenes Executive action favorable to Russia will have made recognition unavoidable. Now that the precedent of extending government credit to Russia has been established, tnere seem to be no obstacles to an indefinite expansion of this policy, as is evidenced by the present negotiations for a further loan of $75,000,000. There is no doubt that the general tone of American public opinion grows more favorable toward recognition as the days pass. The extremely cordial reception accorded Colonel Lindbergh by the Soviet officials has pleased the mass of our people and produced friendly comment in sections of our press which were formerly antagonistic on all Soviet matters.

In general, then, it can be said that we are now witnessing a consummation of Stalin's long-projected internal and external policy—on one hand, the establishment of a socialistic and nationally self-sufficient industrial structure based upon a collectivist agrarian economy; on the other hand, the cessation or postponement of the world revolution, to which his party is in theory committed, in the interests of immediate security and cooperation with the capitalist nations. Both branches of this program are nearer realization at this moment than at any time since Stalin rose to power. Moreover, his grip upon his party, now that the late "cleansing" has expelled some 750,000 unreliable members, is at its strongest, while throughout the country as a whole there has never been less evidence of popular discontent with the dictatorship.

Iraq Under a New King

By ROBERT L. BAKER

AT the moment when the embattled young State of Iraq had most need of the wisdom, courage, diplomatic skill and international prestige of its King, Feisal I, he was taken by death at Berne, Switzerland, where he had repaired for his failing health. Nor was the loss Iraq's alone. The British Government and people feel no small responsibility for the behavior of their former mandate, as it was on Great Britain's recommendation that Iraq was given her independence and membership in the

League of Nations as recently as last year. Great Britain was confidently, and perhaps wholly, relying on King Feisal to punish the Iraqi officers who were responsible for the massacre of innocent Assyrian villagers late in August and to take immediate measures looking to the permanent solution of the Assyrian question. And the Arab world, which has a dearth of able leaders, loses one of its most brilliant and admired princes—one who strove sincerely and successfully for peace in the Middle East.

Feisal died on Sept. 8. His remains were borne from Brindisi to Haifa by the British cruiser Despatch and thence to Bagdad by a Royal Air Force bomber. At Haifa a number of persons were hurt when a crowd of 15,000 Palestinian Arabs broke through the police cordon and fought to touch the coffin. Feisal was buried on Sept. 15 in the new royal tomb in Bagdad. A hundred thousand Arabs, many of them from distant parts of the kingdom, joined in the lamentations.

The succession to the crown fell to Prince Ghazi, Feisal's 21-year-old son, who was educated at Harrow in England. King Ghazi, whose name means "the Victorious One," took the constitutional oath before an extraordinary combined session of Senators and Deputies on Sept. 10. Nine days later, in accordance with his father's wishes, he became engaged to the Princess Aliyas, daughter of former King Ali of the Hejaz, and therefore his first cousin.

The Iraqi Cabinet, headed by Prime Minister Rashid Ali Bey, resigned following Feisal's death, as required by the Constitution, but was reappointed *en bloc* by King Ghazi. Upon this Cabinet, and especially upon Nuri Pasha, the Minister of War, who has been selected to represent Iraq at Geneva, rests the defense of Iraq's minority policy before the League of Nations. [For account of Iraq's difficulties with the Assyrians see October CURRENT HISTORY, page 120.]

His Beatitude, the Nestorian Patriarch Mar Shimun XXI, Ethnarch of the Assyrians, has petitioned the League Council from Cyprus, where he has been in exile, and has been allowed by the British Government to proceed to Geneva to present his grievances in person. It was expected that the Assyrian question would be considered by the League soon after it convened, but the lack of evidence, especially on the Iraqi side, made postponement necessary, though discussions were scheduled to take place before the end of the session. A Committee of Three of the Council, composed of Señor Najera (Mexico), chairman; Mr. Colban (Norway) and Mr. Lester (Ireland) was entrusted with a preliminary study of the problem.

SIDKY RESIGNS IN EGYPT

Sidky Pasha, Prime Minister of Egypt for three years and regarded as the "strong man" of the country, resigned with his Cabinet on Sept. 21. Even before he became too ill last February to exert full control over the policy of his government, he had resented the occasional interference of King Fuad in administrative affairs. During Sidky's illness and cure in France, the King gradually extended his control over the Cabinet. Restored in health, Sidky returned to Egypt on Sept. 5, and in an audience with Fuad declared that he would resign unless assured that he would be unhampered by interference from the palace. This condition does not appear to have been acceptable to the King, who had long felt that Sidky's system

of weak Cabinets was a failure and that the stress of the times required an able Minister in each portfolio. He thereupon sent a telegram to Yehia Pasha, former Foreign Minister who was on vacation in France, to return at once to Egypt.

Yehia announced the new Cabinet on Sept. 27, so soon after his arrival, in fact, as to give grounds for suspecting that it had already been chosen by Fuad. Party lines were ignored by appointing six Independents, one Moderate Wafdist (Gharabli Pasha), two Ittihadists and two Shaabists, who will have to resign from Sidky's party. Yehia Pasha will serve as Foreign Minister in addition to heading the Cabinet, but it is believed that the real leadership has passed to the King. Man for man the new Cabinet is far abler than that of Sidky, but it lacks organized support in Parliament and observers on the spot doubt its ability to survive the first sessions in December. Yet Fuad's belief that the economic crisis requires strong measures may lead him to establish a Ministerial dictatorship, if there seems to be no other way of carrying out an economy program. This would naturally involve the suspension of the Constitution of 1930 and the dismissal of Parliament. In view of the popularity of Yehia Pasha and the unquestionable honesty of the new Cabinet, it may be possible to form a coalition in support of the government.

Opinion in Egypt, not only among the Opposition but in other quarters as well, has misinterpreted the significance of the appointment of Sir Miles Lampson to replace Sir Percy Loraine as High Commissioner. It has been wrongly assumed that this change means a change in British policy, and more particularly, a return to the Constitution of 1923. Curiously enough, the Wafdists welcomed, even if they did not entirely credit, the British announcement in 1930 that there would be no further British intervention in Egyptian domestic politics. Before long, however, the Wafdists began to accuse the British of abandoning their responsibilities. In the absence of British intervention in maintaining the 1923 Constitution, King Fuad and Sidky Pasha were quick to suppress that instrument, to alter the election laws and in various ways to curtail what the Wafd nationalists are pleased to call their liberties, but which in practice had amounted to rule by demagogues and mobs. Sidky's three-year régime has been strict, even dictatorial at times, but it produced order, continuity of policy and political peace.

Yehia Pasha has announced that his government will avoid politics and concentrate on economic matters, and in general follow the policies inaugurated by Sidky.

TURKISH AFFAIRS

The emancipation of women in Turkey is well illustrated by the appointment of three Turkish women scientists as assistant professors in the recently reorganized Istanbul University. They are, moreover, eligible in time to become full professors. Two of the three are Doctors of Philosophy in chemistry who studied in France and Germany. The other, Fazile Shevket Hanim, received her master's degree in biology from Mount Holyoke College in Massachusetts.

In mid-September Ismet Pasha, the Turkish Premier, and Tewfik Rushdi Bey, the Foreign Minister, visited Sofia for conversations with the Bulgarian Foreign Office. The outcome was a renewal for five years of the Turko-Bulgarian treaty of amity

that expires next March. It appears that the Turkish Ministers had hopes of inducing Bulgaria to join in the new Greco-Turkish agreement or at least to enter into a treaty with Turkey modeled on that agreement. These hopes were disappointed, mainly, it is said, because King Boris has been advised by the British Foreign Office that it would be in Bulgaria's interest to remain outside both the French and Italian combinations in the Balkan area. [For discussion of the new Greco-Turkish pact, which was signed at Ankara on Sept. 14, see page 238 of this magazine.]

The concession of the Ottoman Bank, which was to expire on March 1, 1935, has been prolonged until March 1, 1952, by a convention ratified by the Grand National Assembly on June 10. Certain clauses in the bank's old statutes that were deemed incompatible with the existence of the new Central Bank of the Republic were abandoned. The most important of these was the bank's exclusive right to issue notes, now reserved to the Central Bank. While the Ottoman Bank is to be allowed to reduce its agencies in Turkey from forty-six to thirty, the Ministry of Finance may ask the bank to retain some that are unprofitable on condition that sufficient local business will be allocated for them to show a satisfactory return.

Turkey prepared to celebrate the tenth anniversary of the founding of the republic on Oct. 29. A number of distinguished foreign visitors were invited to be present at Ankara for the ceremonies, and President Kemal was to review Turkey's phenomenal progress over an international radio hook-up.

THE PALESTINE CENSUS

A report has been published of the census taken in Palestine in 1931 under the supervision of Eric Mills. The results show a remarkable growth since the previous census, taken in 1922. The total population increased from 757,182 to 1,035,821, a gain of 36.8 per cent. According to faith the population was divided as follows: Moslems, 759,712; Jews, 174,610; Christians, 91,398. The Jews more than doubled during the nine-year period, largely through immigration, and their increase has been even more rapid since the census was taken.

Mr. Mills, in an analytical study of the figures at his disposal, finds that only 5 per cent of the Jewish population is engaged in agriculture, which indicates that the ideal of Jewish regeneration by working on the land has made little progress. Trade, industry and transport occupy 29 per cent of the population, and of this number half are Jews. Three-quarters of the Jews of Palestine still live in the towns, and since they obviously manage to subsist there, Mr. Mills is led to believe that an urban industrial economy may be possible in the future. The establishment of industries, especially for the extraction of salts from the Dead Sea and the development of power from the Jordan may, he says, "so change the economic conditions of the country as greatly to facilitate increase of population."

Of great significance is Mr. Mills's discussion of Palestine's balance of payments. He points out that during the years 1922-31 the value of visible imports was eight times that of exports. As a predominantly buying country, Palestine depends largely on contributions from Jews and Christians abroad to meet her payments, though during this period she was favored by falling world prices and by a favorable exchange. Mr. Mills concludes that when prices find their

proper level Palestine will have to increase her means of payment, either by securing larger contributions abroad or by intensifying production. Failing in these, she must check the rate of increase of the population or else suffer a decline in the standard of living.

Many other interesting facts are provided by the census. Three per cent of the population are either insane, blind in one or both eyes, deaf or deaf-mute. The percentage for blindness exceeds even that in Egypt. That polygamy remains fairly common in Palestine is shown by the ratio of 1,083 wives to every 1,000 husbands among the Moslems. More than 11,000 persons were supported by remittances from abroad.

The Palestine Government, on Sept. 19, granted the Jewish Agency 1,000 labor certificates in advance for the six months ending March, 1934. An advance of 1,000 immigration certificates was granted in August for the relief of German-Jewish refugees. The Jewish Agency announced that the new allotment for laborers was insufficient for present needs, in view of the large amount of construction.

Official figures published at the end of September showed a cash surplus of about $2,500,000 for the last fiscal year. Including previous surpluses, the Palestine treasury now has a cash reserve of nearly $3,000,000. The largest items of expenditure last year were: Police and prison forces, $2,500,000; public works, $1,000,000; the Transjordan frontier force, $800,000, and education and health, $500,000 each. Though the figures for education and health do not include the considerable funds spent for those purposes by the Jewish community, conditions among the Arabs are such that more generous allotments would be justified in view of the healthy condition of the treasury.

NEW HIGH COMMISSIONER FOR SYRIA

Auguste Henri Ponsot, French High Commissioner in Syria since 1926, has been transferred by his government to Morocco, where he will serve as Resident General. M. de Martel, until recently French Ambassador to Tokyo, has been named to succeed him in the difficult Syrian post. The new High Commissioner began his career under the Foreign Ministry in 1901, was Allied High Commissioner in Siberia, and soon after was entrusted with delicate missions in the Caucasus and in Crimea. After the White Russian campaigns collapsed he was appointed Minister to Peiping and then Ambassador to Japan.

M. Ponsot, who went to Syria during the troubled days of the revolt, has admirably carried out the French policy in the mandate of "divide and rule." French authority has been reestablished and order has been maintained since the Lebanon was pacified in 1927. In this respect his policy has been successful. But if the stewardship of M. Ponsot and of France be judged according to the formal purpose of the so-called "A" mandates—namely, that the mandatory power shall provide tutorship in the ways of self-government, aiming ultimately at the granting of independence—then both can be accused of failure. There are occasional rumors to the effect that France will soon surrender her mandate and bring a Syrian republic into the family of nations, in much the same manner as Great Britain did with Iraq, but there are ample grounds for discounting such reports. Antagonisms, political and religious, between mountain and plain, between city and country—in part traditional

and in part due to French policy—as well as the lack of able leaders who might be acceptable to the whole of Syria, give little encouragement to the prospect of a successful career of independence. This problem of leadership, important everywhere, but especially vital in Arab lands, was the least of Great Britain's worries in Iraq, thanks to the ability and personal prestige of King Feisal. That monarch is dead, and there is a widespread suspicion that Great Britain acted precipitately in giving Iraq self-government after a brief ten years of tutelage, and that the success of the experiment depended perhaps too much on Feisal. Such is the view held in France, but at least it can be said that British efforts and sincerity in training the Iraqi nation in democratic government went far beyond the French record in Syria.

TENSION IN ARABIA

The situation among the independence-loving tribes of Southwest Arabia has been disturbed ever since Ibn Saud annexed the Asir region in 1930. Only a few months ago he quelled a revolt of Idrissi tribesmen. In this territory Ibn Saud has been unable to pursue the policy by which he made his authority secure throughout most of the Arabian peninsula—namely, by establishing colonies of fanatical Wahabi warrior-settlers among conquered tribes. These colonies, called Ikhwan, are reminiscent of the Roman system of establishing legionaries in outlying parts of the empire, but they also serve as centres of missionary activity for propagating the puritanical Wahabi doctrines. The story of the Ikhwan, and of Ibn Saud's rise to the strongest position occupied by an Arab potentate for a thousand years, is told in *Ibn Saud, The Puritan King of Arabia,* by Kenneth Williams (London: Jonathan Cape).

According to the meager news that has recently come from Arabia, trouble is brewing between Ibn Saud and the Imam Mohammed Yehia of Yemen. The Imam has never been pleased to have Ibn Saud as his next-door neighbor. He was even suspected of encouraging the Idrissi revolt earlier in the year and has obstinately pressed negotiations for a frontier that would keep the Wahabis as far away as possible. His demands for important tracts of Asir territory formally annexed by Ibn Saud have been partially met by the latter. But Ibn Saud has announced that he cannot make any further concessions, and to avoid being confronted with a *fait accompli* should Yehia seize the disputed region, he has dispatched forces and munitions to defend it and has ordered the mobilization of his scattered regular army. The Imam was also reported to be preparing for an appeal to arms, and some of his troops are said already to have invaded the territory claimed by Ibn Saud.

Istiqlal (Pan-Arab) circles in Syria and Palestine have been greatly distressed by the danger of serious conflict between the two most important Arab Princes and many telegrams have been sent to Mecca and Sanaa urging restraint and further efforts toward a peaceful solution that would be in harmony with general Arab interests.

CABINET CHANGE IN PERSIA

The Persian Cabinet, headed by Prime Minister Hedayat Khan, on Sept. 13 proffered its resignation to the Shah without publishing any reasons. The new Cabinet, introduced to the Mejlis on Sept. 18, was headed by H. H. Mirza Mohammed Ali Khan

Farughi, the Zoka-ul-Mulk. He was Finance Minister in the last Cabinet and has twice before served as Prime Minister. Supporting him will be Davar Khan, as Finance Minister, and Kazemi Khan, as Minister of Foreign Affairs. The new Prime Minister announced that he would continue the policy of the previous Cabinet, which aimed at the erection of new factories, the exploitation of mines, the hastening of railway construction, the development of agriculture and further division of land among cultivators, d velopment of roads, improvement (public health and education, and co dial foreign relations.

A BANK FOR AFGHANISTAN

Aghanistan's first bank was opene in Kabul early in August. It bears tl name of Shirkat-i-Afhami, and has capital of 35,000,000 Afghan rupee or about $5,000,000, of which tl Afghan Government subscribed 3 per cent.

Japan's Growing War Frenzy

By TYLER DENNETT
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WEEK by week, public opinion in Japan, if such a thing exists there, seems to grow more frantic. On Sept. 14, Count Yasuya Uchida, Foreign Minister since July 6, 1932, gave way to Koki Hirota, formerly Japanese Ambassador in Moscow. Count Uchida, 68 years old, was described as worn out by the duties of his office. Mr. Hirota, 55, an enthusiastic nationalist, intimate associate of the army clique which has for two years kept the Japanese Foreign Office explaining what cannot be explained, is likely to present no obstacle to the "unification" of the Japanese Government demanded by General Araki.

Foreign Minister Hirota's policy was defined in two public statements as comprising four points: (1) The improvement of Japanese-American relations, with a view to the signing of an arbitration treaty and the revision of the terms of the London Naval Treaty of 1932; (2) a nonaggression pact with the Soviet Union; (3) the restoration of friendly relations with China; and (4) th establishment of an economic accor with Great Britain. In short, Japan i now in the class of the *status qu* nations. She has a pacific policy. Sh seeks peace just as do certain Eurc pean powers because she has wha she wants and asks only that she b not disturbed in the enjoyment of he recent gains. On the other hand, th language which has come out of Japa on foreign affairs in recent week is, perhaps, the most bellicose, th most cocksure, of any heard sinc some of the pre-war sabre-rattlin speeches of the German Emperoı Japan is in the grip of frenzy.

In order to appreciate Hirota's tasl it is necessary to review the situatioı which confronts him in each of th four regions where he hopes to "im prove" relations. The army and navy courts-martial for the plot of May 15, 1932, in which Premier Inuka was assassinated, caused such a pro found sensation that the Japanese po litical situation was altered. The judi

cial process had to consider public opinion. Following a visit at dawn to the Meiji shrine, the judges of the army court-martial on Sept. 19 handed down a verdict of four years imprisonment for eleven army cadets. The procurator had demanded eight-year sentences. Public opinion seems to have been with the young men to a degree which made heavy penalties impossible. The War Office announced that petitions carrying 357,000 signatures asking for clemency had been received.

A week earlier, in the naval trials, the procurator shocked not only naval circles but also the populace by demanding the death penalty for three of the ten accused cadets. The defense attorney replied that the young lieutenants were patriots who sought to create a purer State, to purge the political parties of corruption and degradation, to improve the lot of the oppressed farmers and to express dissatisfaction with the terms of the London Naval Treaty in which the government, over the protests of the naval authorities, had been induced, or intimidated, into accepting a 10-10-7 ratio.

A brother officer, testifying on behalf of the accused, declared, looking toward the time for revision of the naval treaties: "If the supreme command is again overruled, the matter will not be overlooked by the younger officers." Another officer denounced the naval treaties as having been brought about by the United States, which desires "to dominate the world in the beautiful name of peace." Sixty-eight young officers of the same class as the accused were reported to have presented to the judge a resolution of such a character as to create great excitement in the court. More than 600,000 people are alleged to have signed petitions on behalf of the defendants.

So uneasy did the responsible naval officers become that on Sept. 16 Admiral Mineo Osumi, Minister of the Navy, visited Count Togo, the aged hero of the Russo-Japanese War, to ask for a message to quiet the younger officers. "All officers in the Imperial Navy must be prudent in speech and action," replied Togo. "Undoubtedly the court martial will reach a fair and just decision." The message was immediately broadcast in the form of a general order. Meanwhile, the verdict of the judge was delayed. The trial abounded in expressions of the most bitter animosity toward the United States.

Throughout September General Araki continued to lay down periodic barrages of bellicose speeches and interviews. The War Minister visited Finance Minister Takahashi on Sept. 9 and urged a one-party rule to fortify Japan and banish all "foreign thought." Araki demanded approval of the defense budget regardless of financial conditions. Four days later it was announced that Araki had under consideration the issuing of so-called national defense bonds to a total of 1,000,000,000 yen, which would be forced upon leading business and industrial concerns in such a way as to be practically a capital levy. Such a plan would have the support of the navy as well as of the army. It was reported that the cooperation of the army and navy in the suppression of social unrest was made conditional upon such a financial measure, or, at least, upon the passage of the defense budget.

On the day of Hirota's initial statement that his policy would be to cultivate Japanese-American relations, General Araki, before the military section of the Supreme War Council, de-

clared that China is being supported in her anti-Japanese policies by the United States. He pointed to the $50,-000,000 wheat and cotton loan, which, by the way, appears not to have been passed on to Japan. "There is no telling what America will do," declared Araki, "when her navy is definitely superior to Japan's after 1935." The General also conjured up the spectre of an alleged concentration of Soviet troops in the East.

It has usually been the rôle of the Foreign Minister to follow with soft words the incendiary speeches of his military colleagues, but Foreign Minister Hirota apparently did not wish to be outdone by Araki. In a written statement handed to the correspondents after an interview on Sept. 16, Hirota bluntly warned the United States to keep out of Far Eastern affairs. He said: "If the United States desires an amicable solution of the pending problems with Japan it should first repeal the Japanese exclusion act and admit Japanese immigrants on the same basis as Europeans. Next, the United States should keep her hands off Far Eastern affairs and place implicit confidence in Japan's efforts to maintain peace and order in Asia. The world should be divided into three parts under the influence respectively of American, European and Asiatic Monroe Doctrines."

Mr. Hirota declared that the Washington and London conferences "were actually naval engagements, in which Japan submitted to the combined fleets of the United States and Great Britain. American activities were not confined to the conferences. The United States authorities deciphered cable messages exchanged between the Japanese delegation at Washington and the Tokyo government, and, during the London parley, sent a special envoy to Japan, whose unscrupulous activities left a very unfavorable i pression." Ordinarily this is not f eign-office language in any part the world.

During September it was made pu lic in Japan that while Dr. T. V. Soo was abroad the Japanese Foreign (fice "warned" the United Stat Great Britain, France, Italy and G many, as well as the League of N tions, that economic support of Chi would be unwelcome to Japan. Fu thermore, on Sept. 3, the spokesmen the War, Navy and Foreign Offic combined in a warning to China th Dr. Soong must cease his anti-Jap nese agitation in China. It was asse ed that any disturbance of the frien ly relations which Japan has been al to arrange with the Chinese offici in North China would be met prompt action by Japan.

The announcement that the Ame can fleet would remain in the Paci for a while longer drew from the Ja anese Navy office a sharp reply cou led with the reassertion of Japane rights to the mandated islands. Du ing September it became known London that last Spring the Rev. I Heaslett, Anglican Bishop of Sou Tokyo, was forbidden to visit an A glican mission in the Bonin Islands the grounds that the islands are for fied territory. The Navy Office e plained that the Bonin defenses " main exactly as they were when t Washington treaty was signed 1922"—meaning, presumably, th they are "fortified territory," just had already been made clear to t Bishop.

On Sept. 27 significant revised re ulations for the Japanese Naval Ge eral Staff were promulgated. The n rules authorize the Chief of Staff, times of peace as well as war, to co vey the imperial instructions direct to the commanders without requiri

the Navy Minister's sanction. If such rules had been in force in 1930 the navy would have been in a position to block the approval of the London Naval Treaty. Thus the navy is preparing for the next naval conference.

Foreign Minister Hirota, when he considers the proposed economic accord with Great Britain, will find that in the Japanese cotton industry are fire-eaters quite as difficult to manage as those in the naval and military group. Recently there has been circulated rather widely in the United States the speech of Mr. Shingo Tsuda, president of the Kanegafuchi Spinning Company, to the general meeting of the company's shareholders. The address was considered so important that the *Jiji Shimpo* brought out an English edition. Mr. Tsuda's tone toward England is bitter and provocative.

Mr. Tsuda pointed out that Japan has been steadily winning the Indian market for cotton cloth away from England, not by the employment at low wages of impoverished workers with low standards of living, but rather by improved methods and the latest designs of machinery. In Japan one worker takes charge of twenty looms; in England the labor unions permit only six looms to a weaver and until recently would allow only four. While the British cotton industry has been held back by both British conservatism and labor unions, Japan has gone ahead, with the result that "last year India imported 600,000,000 yards of cotton fabrics from England and 645,000,000 yards from Japan." Mr. Tsuda charged that it was the British, not the Indian, Government which last Spring increased the duty in India on Japanese cottons to 75 per cent, while the duty on British cottons remained at 25 per cent. The effect, he argued, will be merely to increase the cost of cotton cloth at the expense of the Indian customer and to the advantage of the British cotton industry. He ignored the significance of the rapidly growing cotton mills in India.

The Japanese industry, declared Mr. Tsuda, should bring pressure to bear upon the Indian market by boycotting Indian raw cotton, thus depriving the Indians of the cash derived from the annual sale of 1,600,000 bales to Japan. "It is an easy task to plant cotton in Manchukuo," he remarked, "and steps have already been taken in that direction under the joint supervision of the Japanese Department of Overseas Affairs and the Hsinking authorities." For that matter, it would be easy to *plant* cotton in Minnesota. The Japanese cotton industry was exhorted not to remain content with a mere boycott.

Coming from a responsible Japanese business leader, the following quotation is startling: "Should England fail to realize the advisability of effecting a compromise with us and continue in her strong attitude, we should be prepared to take steps to safeguard ourselves. It is generally supposed that England enjoys complete sway over her possessions, but the fact is that even in India alone there are many regions which England finds it no easy task to keep in subjection."

Mr. Tsuda suggested that the boycott be extended to Australian wool and that other British markets be cultivated where, he maintained, the customer is being bled on behalf of British industry. In conclusion: "Was not the independence of America an outcome of heavy taxation imposed upon her by the mother country? * * * Should England continue to embarrass her possessions, the solidarity of the British Empire will not be maintained."

Thus, not alone from General Araki, but from leaders in a great variety of walks of life, from the young military crowd and from the populace, comes a chorus which, for unity of purpose, deadly earnestness and chauvinism, can hardly be matched in Germany, and certainly not at present in either Italy or Russia. Within two years Tokyo, with apparent success, has defied Peiping, Moscow, Washington and then Geneva. London is now being added to the list. Such madness as today runs through Japan has few parallels.

On Sept. 21 the Soviet Government addressed to Japan the sharpest note which has passed between the two capitals in a long while. Moscow, impatient at the delay in settling the Chinese Eastern Railway dispute, and suspicious of Japanese sincerity, stated that not Manchukuo but Japan would be held responsible for treaty violations. The note contained specific charges that Japan was planning to violate the management rights of the Soviet Government in the railway. The next day the War Office in Tokyo announced that the army would be increased by four divisions in 1935 to meet the "serious international situation" and further to provide for the defense of Manchukuo. As for the Russian note, the Foreign Office declared that it would not be answered since it should have been addressed to Manchukuo.

A couple of days later the Harbin police arrested five high Russian officials of the Chinese Eastern organization. It was expected that the vacancies thus created would be filled by Manchurians. Meanwhile, by the visit of Pierre Cot, French Air Minister, and former Premier Herriot to Moscow, Russia and France appear to be drawing together. On Sept. 29 the Japanese War Office issued an official statement denying that the four new divisions would be added to the army, but declaring that the Soviet Government is now increasing its military strength in the Far East. Japan, the War Office stated, is exposed to an attack from Vladivostok in case hostilities break out.

It is one of the declared objectives of Foreign Minister Hirota to seek better relations with China. There, at least, is some prospect of success. Many competent observers seem to be under the impression that, while the Chinese are continuing to make a show of resentment against Japan, there is a perceptible decline in hostility. The appointment of General Huang Fu as chairman of the Peiping Political Council was quite acceptable to Japan, while the departure of Lo Wen-kan from the Foreign Office, ostensibly to visit Sinkiang, was also pleasing, since it eliminated one of the Chinese leaders who have been most outspoken against Tokyo. Only the Canton Government, under British influence, continued recalcitrant. Wellington Koo at the opening of the Assembly at Geneva called upon the League to rally to the support of China. But, in general, it does not appear impossible that Nanking and Tokyo will reach a complete understanding before long. A foreign observer once remarked to the writer, "The Chinese are poor haters." Then he added, "The Americans ought to send some new kind of missionaries over here to teach the Chinese to hate their enemies."

CURRENT HISTORY

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Groping for Recovery

By WILLIAM A. ORTON

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MOST people have heard of that English peer, much given to sleeping, who dreamed after lunch one day that he was addressing the House of Lords, and woke up to find it was true. Something of the sort has happened to the people of the United States. Radical, even revolutionary, projects of economic reform that have been under discussion for years have materialized with a suddenness that is almost too rapid to realize; we are still rubbing our eyes and wondering whether all this really has happened in the short space of six months.

All this has sprung from the energy, the leadership and the courage of one man who, without overturning the social system, has accomplished as much as any dictator has ever done in a similar space of time. That fact reflects tremendous credit on both the President and the people of the United States. It is an asset that outweighs all the shortcomings and the disappointments of the New Deal.

As the policy has expanded and its implications have become manifest, various strains have developed which it is the purpose of this article to discuss. There were, to begin with, many people in the country at large and a few in the administration who took it for granted that all the new measures would turn out to be what they ostensibly were—temporary expedients to relieve a temporary crisis—and that when the emergency passed (rapidly, it was hoped) the old system would once more go jogging along in very much the same old way. Those people have had to disabuse themselves, and the process is painful. We must expect to hear their cries of protest and misgiving in increasing volume.

The emergency is not passing rapidly—the President never promised that it would—and every week makes it more and more evident that the recovery program is advancing to new positions from which a simple retreat to the starting point is absolutely out of the question—whatever the date or the extent of the recovery.

As difficulties increase, the thought of the administrators is getting bolder, not weaker. Let any one who doubts this read the article by A. A. Berle Jr. in *The New York Times* of Oct. 29. Further, it may be said that the closer acquaintance with industry brought about by code procedure, combined with the revelations of the Senatorial investigators in the world of high finance, have not encouraged either the President or his advisers to believe in a return of the "good old times." The old times were good for far too few of the people.

Within this group of what we may call disillusioned conservatives are the strict constitutionalists, who are disposed to challenge certain important features of the recovery program on juridical grounds; and from them, too, we may expect to hear more in the future. The constitutionality of some phases of the program is an important and perplexing problem, but it is a sad fact that when people begin to talk about their abstract rights, it is usually their private interests they are really worried about. It is not difficult to draw the line between disinterested discussion of the constitutional question, which must necessarily be technical, and an effort to damn the recovery program in the eyes of an unlearned public by branding it in advance as unconstitutional. Certain gentlemen from whom one might expect the former sort of effort are, whether knowingly or not, lending themselves to the latter.

It is necessary to remind these gentlemen that the Constitution is older than the doctrines of Chief Justice Marshall. They may also remember the dissenting opinion of the present Chief Justice in the Columbia minimum wage case, in which he declared that "it is not the function of this court to hold Congressional acts invalid simply because they are passed to carry out economic views which the court believes to be unwise or unsound." They may further recall the opinion of Justices Brandeis and Stone, in the Oklahoma Ice Company case of 1932, upholding the right of the States and the nation "to remold, through experimentation, our economic practices and institutions to meet changing social and economic needs."

It is also to be borne in mind that, apart from all emergency legislation, the Federal Trade Commission is empowered by statute "to prevent unfair methods of competition," and is left free, subject to court review, to formulate its own conception of fairness and unfairness in accordance with the ideas and circumstances of the time. The definition of unfairness is necessarily subject to change and development, as are the situations to which it applies, and it may turn out that inhumane conditions of labor, like other anti-social forms of cost-cutting, can reasonably be held to lie within the scope of the 1914 statute. It would be strange indeed if minimum prices to manufacturers, and minimum returns to railroad and public utility investors, were deemed eligible to constitutional protection, while minimum returns to labor were not.

But, apart from the disillusioned conservatives and the strict constitutionalists, the public at large is showing distinct signs of misgivings about the second of the President's bargains with industry. The first one—the re-

employment agreement, carrying with it the Blue Eagle, and expiring on Dec. 31, 1933—has worked out, in this writer's opinion, astonishingly well. Of course, there have been innumerable failures to live up to the terms of the contract, but when one considers that this was a voluntary act, carried out by practically the whole of business and industry at considerable cost and inconvenience, in response to a simple request from the White House, then it appears one of the most remarkable social phenomena of recent times. It is the second bargain—the bargain on the codes—that is arousing misgivings.

The elements of that bargain, though the details vary in every case, can be easily stated. The administration demands three things—the abolition of child labor, the establishment of minimum wages, the free exercise of labor's right to collective bargaining. In return it offers the suspension of the anti-trust laws and a greater measure of control to the trade associations than they ever dreamed of demanding. They have accepted the bargain and are going to be very sure that they get all there is in it. But the question arises whether labor can be equally sure, and the consumer wonders whether he is to be left holding the bag.

The re-employment agreement, difficult as it was for many employers to carry out, raised no industrial issues of major importance, and was avowedly only an expedient for four months. General Johnson himself has called it a "stop-gap." The establishment of the codes is another matter. Whatever the law or the administration may say, the codes are much more in the nature of a permanent reconstruction than a temporary pick-up. "Immediate re-employment," says the General, "is a by-product." The codes do raise issues of major importance—issues on which some branches of industry, such as steel, the automobile industry, the electrical industry, the packing plants, have taken decisive stands for the best part of a generation.

In view of the magnitude of these issues, there is some ground for criticizing the official policy of rushing along to get something signed by the end of the year, no matter how much revision might afterward be called for. On the other hand, the administration may well have felt that, if matters were allowed to drag on indefinitely, the difficulties of revision might be less than those of getting anything signed at all. No one can say which of the alternatives was the easier; both had serious drawbacks, and a choice had to be made.

The result is that the codes so far signed—sixty-three at this writing—exhibit very wide discrepancies, which come out most clearly in the composition of the governing bodies entrusted with their administration. These governing bodies are, in the main, the existing trade associations. On most of them—not all—there are seats for two or three nominees of the Recovery Administration, without voting power. On very few indeed is there any direct representation of labor. This result is, in a way, natural. The trade associations were on the spot, with their lawyers, lobbyists, publicists and efficiency men, to see that they got their full share of the bargain. Labor's organizations in the basic industries were still to be created, and the consumer had no organization, inside or outside the NRA, that amounted to a row of beans.

Both the administration and the trade unions, in the writer's opinion,

committed a very serious error in failing to give adequate attention to the composition of these governing bodies. They should have worked out a considered plan of representation, and consistently followed it in the establishment of the controls. Its absence is going to create trouble in the future.

Some of the codes—for instance, those for the men's and women's clothing trades and the hosiery industry—show a genuine effort at representative government, but others, in effect, deliver the industry bound hand and foot to the big employers' organizations. The steel code is probably the worst of these; it gives sole power both to veto and to fix minimum prices to the board of directors of the steel institute, conceding only a "right to discuss" to nominees of the NRA, who must further be "persons not having or representing interests antagonistic to the industry." Who determines whether or not these persons are acceptable? Obviously, the big steel companies. Neither labor nor the consumers have anything to be thankful for in this case, as Joseph B. Eastman, the Federal Coordinator of Transportation, has recently found out.

It is practically certain, therefore, in view of the generally one-sided character of the governing bodies, that the administration will have to rely on other powers than those of the control boards to insure that the suspension of the anti-trust laws does not become a disaster to both labor and the nation. Here again, however, there is power in pre-emergency legislation that the administration can invoke if it chooses.

Nearly all these codified industries are enjoying a good, fat slice of tariff protection. Their tariffs are supposed to be based on cost of production, which the tariff commission is empowered to ascertain. If the steel companies (or any others) do not like the notion of opening their books to the NRA, in order to justify their prices, they can open them to the tariff commission in order to justify their tariffs. And, if they fail to do so, the President has a bottle of laxative in his Executive cupboard that is guaranteed to clear their systems. The tariff power offers a potent means of correcting unreasonable prices—probably the only one the Executive really possesses—and the suspension of the anti-trust laws puts tariff policy in a new and significant perspective. Consumers will do well to study that perspective rather closely.

Issues of policy such as these, however, played but a small part in the framing of the codes, and organized labor, as usual, devoted its entire attention to the immediate foreground. In truth, there was enough there to worry about. The question of minimum wages at once took on a more serious aspect. Witness, for example, what happened at a recent code hearing. Mr. Mellon's Aluminum Company of America asked permission to reduce wages from 30 cents to 25 cents an hour. "Do I understand," asked the Deputy Administrator, "that, having gained the use of the Blue Eagle by agreeing to pay 30 cents, you now want to wash this out and pay only 25 cents?" William C. Neilson, vice president of the company, replied: "We never wanted to pay 30 cents. We agreed only because the President asked it. We thought it was to be only for a very brief period. The 25-cents-an-hour rate proposed by this code is high for us."

Studies now being made by the Bureau of Labor Statistics indicate, so far as published, that in the majority of cases the code rates of wages, com-

bined with the shorter working week, add little or nothing to the actual cash receipts of the average worker. The gain in hourly rates and the contraction of working hours just about offset each other. The textile code shows a distinct gain, the dyeing and finishing, electrical, and shipbuilding codes, an average net loss. To this certain facts must be added, namely, the displacement of pieceworkers unable to attain the minimum time-rates, the general speeding-up of the rest, and the slackening of production that has followed the effort of several industries to stock up ahead of the codes.

So far as the higher wage rates are concerned, the administration has not been able to obtain as general a guarantee of the customary differentials as it hoped for, and reliance is therefore thrown back on labor's protective and bargaining strength under Clause 7A. Further, labor knows very well—the publicity department of NRA is constantly reminding all of us—that we are in for a period of sharply rising prices. In these circumstances widespread strikes were inevitable, and the unions can hardly be accused of sabotaging the recovery program. On the contrary, if there is to be any marked addition to consumer purchasing power as a result of the codes, it is only aggressive trade unionism that can secure it.

It is no doubt a disappointing and embarassing situation for the government, but the organization campaign must continue, and the administration must back it up. The reason is not merely that the immediate gains of labor depend on it, but that the peaceable and equitable conduct of industry now demands complete organization on both sides, and representative procedure. There is no way of guaranteeing absolute freedom from disputes, but the chances of it are better where there is organization on both sides than where the employers claim a monopoly of it.

Criticism may fairly be leveled, however, at the effects of the craft system of organization favored by the American Federation of Labor, combined with its insistence on the rule against "dual" unionism. It is these features that supply the really exasperating element in such situations as those of the Paterson silk strike, the Illinois coal disputes and the Department of Justice building, where the unions insist on fighting each other. Jurisdictional disputes have long been a disgrace to the American labor movement, which seems to specialize in them, and the administration is entitled to look to the A. F. of L. for a much more determined effort to avoid them in the future, even if that involves letting up on the rule against dualism for the time being. The Federation needs to do some hard and fast thinking to bring its ideas about organization up to date. If it fails to modernize them, the government may have cause to regret its present close association with the A. F. of L. leadership.

There is one lesson the administration would do well to learn from the experience of other countries in the administration of minimum-wage and working conditions for labor. If it really wants these code provisions carried out, it must do its own inspecting. The recent establishment of the sixteen Regional Mediation Boards was an obvious necessity, but it is not sufficient to rely upon complaint procedure, nor is it altogether fair to labor. The impression that the administration was going to leave the policing of the labor provisions mainly to the trade unions was an unfortunate one, whether it was justified or

no. Other countries with far more experience in these matters than the United States have discovered that stipulations as to wages, hours and working conditions do not begin to operate effectively or equitably until establishments are made liable to impartial inspection. It is the liability that counts. The inspecting staff need not be large, but must be of first-class quality. England has found here a very useful field of employment for well-trained women. And in the end, the inspection policy is cheaper than mere complaint procedure, as well as more adequate. It prevents disputes arising, because it alone can remove their causes before serious trouble is started. On the whole, employers as well as workers have come to welcome it as the better way.

When we turn from the town to the countryside we encounter problems that have baffled three successive administrations. The contributions of the farmers themselves to a solution of these problems have been extraordinarily negative or futile. One sympathizes—the word is not strong enough—with their indignation at the consequences of their somewhat reckless borrowing in the high-price period; one understands their resentment at the more rapid rise of industrial prices under the Blue Eagle; one even condones their being fooled into thinking that an extravagant domestic tariff could somehow or other raise the value of export crops whose prices were fixed in a world market. But the fact remains that they have had to be bribed by the public treasury into making crop reductions that have been staring them in the face for seven years past, and that even now their efforts to band together for their own salvation are subject to a pitiable amount of ratting. It is an open question—farmers themselves must admit it—whether agricultural recovery would not now have been further advanced if they had never been allowed to assume that it was an obligation of the Federal Government to undertake rescue work.

The rescue work of the Roosevelt program is undoubtedly a little better than that which preceded it. It is achieving the long-postponed reduction of acreage, though at great public cost, and it is in some measure lightening the mortgage burden. But the President reminds one, at times, of Stephen Leacock's knight who "mounted his horse and galloped furiously away in all directions." Just where and how far does he think he is going? Does the administration seriously propose to reduce domestic production to the demand of the domestic market? Has it any conception of the colossal dislocation that will mean, for years and years to come, in industry no less than in agriculture? And if that is not the intention, just what is the policy aimed at?

The President surely knows that the disparity between agricultural and industrial prices arose mainly from the international market, on which the former were so much more dependent than the latter. What has happened to all his good intentions of last Winter, looking toward a restoration of international demand by working toward a return of sanity in international economic relations? There is a lot of talk about a "normal" relation of agricultural to general prices, which is defined in the Agricultural Adjustment Act as that obtaining in the "base period," 1909-1914. But that relation depended on the existence of an export demand for agricultural staples which absorbed from one-quarter to nearly two-thirds of the several crops. How on earth can that "base period" ratio be restored un-

less a substantial measure of the export demand is restored with it? The domestic market will not redress the balance at anything like the old price-ratio. Are we to go on subsidizing farm prices from now till doomsday? If so, what for? If not, what is the President doing in the international field? Yes, indeed, what *is* he doing?

It is a sad story, in which the absence of really first-class advisers and a well-considered plan points the moral. One can emulate Leacock's Galahad in the family circle, so to speak, and be indulgently excused for it, but one should not act so before strangers. The episode of the London conference is best forgotten, but its effects on American prestige will last for this generation. Once Woodrow Wilson encouraged the nations to look to America for a political lead. Once Franklin Roosevelt encouraged them to look for an economic lead. They will not look again.

The manoeuvres of the present administration on the international front have an air of rash improvisation that suggests an absence not merely of plan, but of principle. Europe regarded the departure from the gold standard as an arbitrary, but mainly a domestic, decision. The cancellation of the gold clause raised doubts of a graver character. The devaluation of the dollar undertaken immediately after the flotation of an important refunding issue of government bonds made the point of honor unavoidable. And the deliberate commitment of the country to the puerile policy of competitive currency depreciation disposed of whatever confidence was left.

Some excuse there might be if these measures had achieved even a temporary success; instead, even from the short-period and purely domestic standpoint, they are a patent and abject failure. The spectacle of a modern government deliberately setting in motion, and then privately condoning, a flight of capital from its own borders, is unique, and all the more extraordinary when one finds that government with a budget hopelessly out of balance, a public debt of unprecedented and rapidly increasing magnitude, and a national income shrunken in four years by nearly 60 per cent.

The political effects on the home front have been equally unfortunate, especially in regard to the relations, if any, between the White House and Wall Street. The bankers, it may confidently be said, were prepared to go a long way with the President in reform of the financial system. They donned the coat of sackcloth and sat in the ashes of public disesteem. To many of them the revelations of gross immorality in their greatest institutions were as much of a shock as to the public at large. They were in a mood to accept a far larger measure of control and supervision. But their attitude changed, almost against their will, as they saw the administration plunging ever deeper into a financial policy which not a single first-rate economist could be found to defend.

Manufacturers and traders are now openly declaring that the banks have sabotaged the recovery program, and in one respect, to be mentioned shortly, the accusation has substance. But so far as the banking business is concerned, the profession faces a dilemma. It is reminded daily, and with truth, by both farmers and industrialists, that easy borrowing was a major cause of the collapse; yet it is urged daily, by both the administration and the small man, to loan more easily now than sound banking principles war-

rant. The bankers are sitting tight, too tight, perhaps, but if the administration wants an easy-money policy pursued beyond the point at which prudent banking, in present circumstances, can go, it must carry that policy on its own shoulders by means of its own credit institutions. Whether it should do so is an open question.

Secretary Ickes's conservatism, in the writer's opinion, was well justified while it lasted. Experience elsewhere suggests that direct cash relief is the cheapest way of handling unemployment under capitalism, for unless the government is prepared to take over the basic industries, the extensive use of public credit for works which must, in the nature of the case, be unproductive of money income, is an expedient to be used with great caution. Ultimate recovery, under capitalism, depends on the restoration of normal demand for goods and services. There is no substitute for this, and effort must be mainly devoted to the removal of all obstacles to that demand in both the domestic and especially the foreign fields. Everything else is, by comparison, lost motion.

The point on which exception, as hinted above, may be taken to the bankers' attitude is the whispering campaign against the Federal Securities Act. That act has dealt a terrific blow to the very profitable trade in securities. The bankers' objections amount, in sum, to the complaint that they cannot foretell exactly what it will mean under interpretation, and the fair answer—the answer apparently being made by the Trade Commission—is that they should wait and see. That the act was drawn somewhat hastily, and with the very minimum of consultation, may be admitted; nor would any one deny that it may need modification in the light of subsequent experience. But in view of the record, it is up to the bankers to accept the situation for the time being. The argument that the Securities Act is a major cause of delay in the recovery of the basic industries savors, to say the least, of disingenuousness.

Viewing the recovery policy as a whole, one sees an appealing mixture of energy, idealism, provincialism and naïveté, backed up by (considering the vested interests at stake) an extremely gratifying measure of public support. The administration seems to have embarked on a program, sound in principle, of economic reconstruction without quite realizing all it was committing itself to; it now stands in a position whence it must either go forward (which means leftward) or retreat—and it has not really the choice. It indulged—and the public with it—in somewhat exaggerated hopes of the amount which any government, of any kind, can accomplish toward a speedy cure of economic depression; both alike are now suffering the inevitable headache, but the error was natural, human and excusable.

The administration is not so easily excused for the act of running away —which is what it amounts to—from the intricate and trying problems of the international arena. There can be no real running away, least of all for a creditor nation capitalized on an export basis. The administration will be forced to return with its tail between its legs—which will be a better place for that member than the former position in which it wagged the whole dog, and the sooner the better. No nation can afford to reject whatever advice and cooperation it can find outside its borders, especially when the domestic supply is second-rate. In an international world one cannot even be a nationalist all by one's self.

The Danger of War Talk

By William Norman Ewer

[The writer of the following article has been foreign editor and diplomatic correspondent of the London *Daily Herald* since 1919.]

Never since the armistice has there been so much war talk as in these days. And that is true not only of the days since, but of many weeks before, Germany's announcement that she would leave the Disarmament Conference and give notice of resignation from the League. Now, on the face of things, it should not be so. So far as the facts go, there should be less danger of war in Europe today than ever.

There is in existence a machinery for the maintenance and the preservation of peace that never existed before. The covenant of the League not only solemnly pledges all its signatories to keep the peace. It binds them all to take immediate action against any State which goes to war. The covenant has been reinforced by the Locarno Pacts, by the Kellogg Pact, by the Four-Power Pact, by the Geneva declaration against the use of "force" as well as of "war" as an instrument of policy, by a whole network of treaties of non-aggression, by another network of arbitration treaties under the World Court "optional clause."

Never before in history were the European States so pledged and re-pledged not to attack each other. Never before were there such pains and penalties provided for an act of aggression. Never before was there, in the League and the World Court, such elaborate and well-organized machinery for the settlement of disputes. Not only that. In addition to all these safeguards there is the fact that those States which, rightly or wrongly, are supposed to have grievances against the existing territorial order, and which therefore might be expected to take up arms to secure what they regard as their "rights," are, militarily, in no position to do so.

Germany, Austria, Hungary and Bulgaria were the "victims" of the Versailles settlement. And equally they were reduced by that settlement to something like military impotence. An aggression by any of them against well-armed neighbor States would seem, on any national basis, to be out of the question—even were aggression, in addition, not bound to bring down upon them the active wrath of other nations pledged by the covenant—and, in the case of a German Western aggression, by Locarno as well.

There is, indeed, one power which has territorial grievances which may be suspected of territorial ambitions, and which is, at the same time, strong and well-armed. But it is a feature of the present situation that the fear of Soviet Russia which, a few years back, haunted Eastern Europe has died away almost to nothingness. The Soviet Union is so immersed in its internal affairs, so intent upon building up its new economic system, that even those of its Western neighbors who were the most anxious are now entirely undisturbed. Of all Europe, the East is now the most placid part.

But in the centre and in the West

there is, in spite of all the peace apparatus, in spite of all the peace pledges, constant fear of war, constant talk of war. It increases and decreases with events. It rose in a sharp crescendo where there were rumors of a Nazi coup in Austria; it died away a little, rose again when Hitler startled the world with his announcement of withdrawal from the League. But it is always there.

Sometimes it is talk of a Nazi attack on Austria or the Corridor. Sometimes it is talk of a Hungarian attempt to recapture the "lost provinces." Sometimes of a new French occupation of the Rhineland, of a clash between Italy and Yugoslavia; but always of war "somewhere in Europe"—whether it will come, how it will come, when it will come. Ominously "when" has become the dominant theme lately—as though "whether" were already decided, and "how" a matter of minor importance.

Why should it be so? Is there really imminent danger of a new European war? Are all the safeguards of peace really of no importance and no efficacy?

I do not believe that. It is a fool's game prophesying, as people who back horses and rely on weather forecasts should know. And is it not on record that when Lord Clarendon became Foreign Secretary he was told by the Permanent Under-Secretary at the British Foreign Office that there was not a cloud in the European sky and no possibility of any serious trouble within measurable time—an expert opinion delivered in 1870, a couple of months before the outbreak of the Franco-German war? Still, in spite of Lord Hammond's horrible example, and in spite of all the war talk in all the cafés of Europe today, I will hazard a guess. I would lay three to one that there will be no war in Europe in the next year or two.

I do that because I do not see any government taking the chance of the "sanctions" of the covenant being enforced against it, or the chance of having to face the consequences of a defeat. There are, I know, many who argue that the League would never act, that the covenant would be a dead letter. And the bad business of Manchuria last year has certainly confirmed them in their view, though Manchuria was, in lots of ways, a very abnormal case. But though it is obviously true that the League might not act, that the sanctions might not be enforced, yet at the same time it is true that the League *might* act, the sanctions *might* be enforced, the aggressor *might* find itself at war with the whole of the "States members of the League." And I do not see any conceivable government in any European State running that appalling risk for the sake of some comparatively small and problematical gain.

Nervous Frenchmen often doubt whether, in the event of Germany's attacking France, Britain would fulfill her Locarno obligations and go to France's aid. But I do not see a German Government taking the chance.

I know the reply—that Germany took a chance in 1914, that therefore somebody might take it again. But 1933 is not 1914. The new peace apparatus—League plus Locarno—is one difference. Another is that in 1933 governments know—as they did not even guess in 1914—what are the tremendous penalties of defeat, how wretched are even the fruits of victory. And lastly, in 1914 Europe was neatly divided into alliances—the Triple Alliance and the Triple Entente. Any one who began a row could count, not simply on the chance of being left

alone but on the certainty of being assisted. There was not the foggiest possibility of a general rally against an aggressor. If such a formation of rival alliances as existed in 1914 comes into being in Europe again, I shall begin to fear another war. But there is, as yet, no sign of it.

Then, if all this be true, if there is no very real danger of a very imminent war, whence all the war talk? Why is every one talking about something which is not going to happen? The answer to that is interesting, and, I think, important, because pretty evidently war talk and war preparation do not help to maintain peace. They are a factor in favor of war; they are a factor which might tip the balance at any time to the side of war. I would almost say that the only danger of war lies in war talk—and in war preparation.

The first reason for all this war talk, or rather the condition without which it would be impossible, is the ingrained fear of a continent that has never in its existence known twenty years of unbroken peace. Every European schoolboy's history book is a reminder, a suggestion, that war is a perfectly natural, normal, almost inevitable state of affairs. It is taken for granted, as matter of course, that governments should be obsessed by a desire to increase the area of the territory they mismanage, and that it is the proudest privilege of citizenship to die in order to achieve this supreme objective. The martially minded French boy reads with pride of the days when French armies marched victoriously from capital to capital; his peaceable fellow anxiously recalls that twice within a century Prussian troops occupied Paris. Over the border the German boy knows of Turenne's ravaging of the Palatinate, of Napoleon's invasion, of Hindenburg's defense of East Prussia against Cossack invaders. Both know how for four centuries Alsace has changed hands again and again according to the fortune of war. And so it is in every other country of Europe—pride of victory, bitter memory of defeat, but always the basic fact of war as a firmly established institution. National heroes are war heroes; national pageantry is war pageantry. War is taken for granted. The fear of it—or the thrill of it—are endemic all across the Continent.

That is the soil in which war scares, war talk, come easily to growth. Without that long tradition, that constantly refreshed memory, that perpetual sense of it as a possibility, it would be hard to raise a scare. The man who tried to start talk of a coming war between the United States and Canada would run some risk of being certified insane.

But the soil, however fertile, needs seed. Whence and why the seed? Who sets the war talk going? The answer is not very far to seek.

First among the culprits are the governments themselves. Hardly a week passes but somewhere in Europe a Minister makes a speech about war. It may be—as in the case of von Papen's famous outburst about the dishonor of dying in one's bed—claptrap glorifying war. Or it may be Mussolini boasting that Italy's airplanes can cover the sky. Or Daladier proudly claiming that France is now ready to defend her territory and her freedom. Or Sir John Simon maintaining that Great Britain has disarmed within the very margin of safety. The phrases hardly matter. The point is that the theme is the same—war; the basic assumption is the same—the possibility, the likelihood of war. Is it to be wondered at that, when "men governing" harp so constantly on that theme, the ordinary man begins to take it for

granted that "it" is coming and begins to wonder "when"?

Why do Ministers talk like this? Partly because they, too, are obsessed by the history of Europe, because, despite their having "renounced" war—all of them—they cannot bring themselves to believe in their own renunciation, or, at any rate, in each other's renunciation. They, too, are victims of fear. They are afraid to believe. When von Papen talks poppycock about the glory of war, apprehensive French Ministers say "There, you see!" When Hitler makes eloquent profession of peace, French Ministers cynically murmur the French for "Oh, yeah!"

But there is more to it than that. To a government, whatever its character or its political creed, war talk is apt to be a valuable asset. It creates a feeling of national solidarity, of patriotism, or "rallying round the government," of "closing the ranks." The cry that the fatherland is in danger is the most useful of all governmental slogans. The temptation to use it is almost irresistible.

It used to be said that a government in trouble at home was a government that was liable to seek distraction in war, or a warlike policy abroad. That, I think, is no longer true. The risks are too great. And the modern demagogue has realized that war talk serves the purpose just as well as the perilous and costly gamble of war. Create an atmosphere of fear, or of indignation against the foreigner, and people will forget their domestic grievances—or, if they do not do so, can be denounced as unpatriotic. Create, on the other hand, an atmosphere of complete peace and security, and internal discontent will have full play. Keep people's eyes on the "enemy" abroad and they will forget their own enemies at home. International discord is a powerful factor in maintaining internal concord. And patriotism, if it is not "the last refuge of a scoundrel," is the trump card of the politician, or —to adapt another famous phrase—it is the most effective "opium of the people."

Consciously then, or subconsciously—sometimes it is the one, more frequently the other—governments, by the very nature of their being, talk "patriotism," talk international rivalry, set their people against the "foreigner," set them thinking of grievances or dangers outside, set them inevitably talking about war and the possibility of war. To put it bluntly, it suits their purpose to do so, to keep alive the dread of war and the pride of "patriotism," though nothing may be further from their minds than any thought of actually going to war.

Moreover, while there are armies and fleets, they must be recruited, whether by voluntary enlistment or by conscription. And, if the "martial spirit" dies, how are volunteers to be tempted or the people reconciled to the burden of conscription? Armies and navies are dependent for their very existence on patriotic ballyhoo and on people believing in, at any rate, the possibility of war. So governments, and more especially their military and naval branches, come to have a vested interest in war talk.

So, notoriously enough, have another set of people—the armament manufacturers. They live on the fear of war. If it died out their jobs would be gone. They also do not particularly want war, unless perhaps it is far enough away to be at the same time profitable and safe. But they do very emphatically want "preparedness"; they do want big armaments. They do want taxpayers to pay freely and unstintingly for big armaments. And for that it is necessary that the taxpayer

shall live in a constant state of apprehension, shall feel that big armaments, costly though they may be, are a necessary "insurance."

The big armament firms—the thing is notorious, and every now and again, as in the famous Rumanian Skoda scandal, the facts come to light—spend millions a year on propaganda. It is propaganda for "preparedness," and the essence of it is to persuade people of the imminent danger of war. The Ruritanians are told that the Erewhonians will attack them unless they have more ships or more planes or more guns. The Erewhonians are told the same tale. Ruritanian and Erewhonian defense estimates both mount, very profitably for the armament firms. And in each country suspicion of the other, distrust of the other, belief in the coming, sooner or later, of a Ruritano-Erewhonian war, are all increased.

And so the game goes on. Causes of quarrel between the two countries may be slight; the idea of "settling" them by war may be lunacy to any sane mind. But the propaganda goes on. Ruritanian and Erewhonian statesmen alike appeal to the patriotism of their citizens, alike justify their expenditure on arms, alike seek easy popularity by taking a "strong" attitude on this or that trivial issue, alike distract their people's minds from trouble at home by directing them to the peril across the border. Ruritania and Erewhon glare at each other over the frontier. Their newspapers snarl. The most trivial incidents—really as unimportant as if they happened between neighboring parishes—are exaggerated to an enormous significance. And in each country men talk, either with dread or enthusiasm or resignation, of the impending "inevitable" war.

It is all nonsense. The Bulgarian question, said Bismarck, was "not worth the bones of a Pomeranian grenadier." There is certainly not a single question in Europe today worth the appalling consequences of a European war. And, in their saner moments, the statesmen know it. I doubt if a single one of them seriously intends war. But they cannot rid themselves of the age-long habit of thinking war and talking war. And, moreover, it suits their purpose; it suits them as politicians to do so.

It is not true that in Europe today there is talk of war because there is danger of war. But it is most emphatically true that there is danger of war because there is talk of war. Create enough fear, create enough suspicion, and the point comes when "the chassepots go off of themselves."

A New Deal for Latin America?

By Ernest Gruening

[Dr. Gruening has achieved widespread recognition as an expert on Latin-American problems. As a publicist he has contributed discussions of these questions to many periodicals.]

THE Seventh Pan-American conference convenes at Montevideo, the capital of Uruguay, on Dec. 4. To it, the twenty-one independent nations of this hemisphere are sending their delegates.

"Pan-Americanism" arose from the belief that the republics of the Western Hemisphere have interests in common, not shared by other nations. The idea had its beginnings over a century ago, shortly after the self-liberation of the greater part of Hispanic America from the mother country. The original advocate of this movement was Bolivar, the South American liberator. He envisioned a political association or federated union of the former colonies of the Spanish Crown which would act through a congress.

Only four countries were represented at the first congress in Panama in 1826—Mexico, Central America (which was then but a single State), Colombia and Peru. The delegates of the United States were appointed too late to be able to attend. Plans for regular sessions of a conference failed to win the approval of various governments, and no permanent organization resulted. Over half a century was to elapse before the Pan-Americanism of today was to take on concrete reality.

The idea was revived in 1882 by Secretary of State James G. Blaine and was kept alive in the years following, through the introduction of various bills in Congress to make it a reality. In 1888, a bill authorizing such a conference in Washington the following year was approved by both houses and by President Cleveland. But the call to the conference emphasized that it was to be "consultative and recommendatory only." In consequence, the conference accomplished little of permanence. The most tangible result was the founding at Washington of the Commercial Bureau of the American Republics.

Toward the close of the century, President McKinley proposed the holding of another Pan-American conference. On the invitation of the Mexican Government, it met at Mexico City in 1901. It likewise accomplished little, although it made provision for a third Pan-American conference within five years. This conference met at Rio de Janeiro in 1906. Here a few minor conventions were adopted as well as a regular program for Pan-American conferences about every five years.

By the time of the fourth conference at Buenos Aires in 1910, the agenda had been more carefully prepared and the machinery of discussion and action had begun to function more smoothly. Some twenty resolutions were passed. The Commercial Bureau of the American Republics, which had been reorganized at successive conferences and given amplified functions, was now renamed the Pan American Union.

Some of the underlying conflicts of interest between the United States

and the Latin-American States now came to the surface for the first time. Latin-American States had by this time become fearful of "North American imperialism." In the twenty-one years since the first conference, the United States had expanded rapidly to the South. In consequence of the Spanish-American War, we had acquired Puerto Rico, assumed a semi-protective status over Cuba through the Platt Amendment, acquired the Panama Canal Zone through a revolution fomented by American interests in Colombia which had given birth to the Republic of Panama, and established a collectorship of customs in the Dominican Republic. Voicing a growing sentiment, Manuel Ugarte, foremost of the critics of "North American imperialism," declared that the interests of Latin-American States would be better served through Latin-American conferences from which the United States would be excluded.

Before the fifth conference took place, this sentiment was vastly accentuated on the one hand by the growing strength and self-conscious nationalism of the Latin-American States, and on the other by certain performances of the United States. These included the "dollar diplomacy" of Secretary of State Philander C. Knox, the intervention of the United States in Nicaragua, the Dominican Republic and Haiti, the bombardment and seizure of Vera Cruz by President Wilson, the lease of a site for a naval base on the Gulf of Fonseca on the west coast of Nicaragua, and repeated acts of intervention in the affairs of the Central American republics.

The fifth conference, scheduled to take place in Santiago de Chile in 1914, was postponed because of the war and did not meet until 1923. Its results were tangible. Four conventions dealing with commercial matters were adopted as well as a treaty for the pacific settlement of disputes between American States by means of commissions of inquiry which were to be established specially for each dispute. The treaty, however, was denatured by the provision that the findings of the commission in each case would be considered merely as a report and would not have the force of a judicial decision or of an arbitral award. It provided, however, for a delay of eighteen months before the parties to the dispute could resort to war. The resolutions adopted dealt with legal matters, the definition of the status of the children of foreigners, the rights of aliens, sanitary safeguards, commercial aviation, electric communication and uniformity of statistics. Proposals to limit armaments and to reorganize the Pan American Union were defeated.

This conference brought into clear relief the wide divergences of opinion and purposes then existing between Latin-American States and the United States. Throughout the conference an undercurrent of antagonism to United States imperialism was evident beneath the polite phrases of diplomatists. This was further emphasized by the conspicuous absence of Mexico, which at that time had not been recognized by the Harding administration. Mexico's refusal to participate was based on the technical excuse that it had no Ambassador in the United States, and consequently no membership in the Pan American Union, but in reality Mexico's abstention was a protest against the policy of Secretary of State Hughes, who refused recognition to the Obregon government unless Mexico first agreed to sign a treaty pledging certain acts and policies favorable to the interests of the United States.

A dramatic interruption at this conference, widely reported throughout Latin America, but hardly noticed in the United States, was made by an eminent Haitian, Pierre Hudicourt, and by a well-known Dominican, Manuel M. Morillo, who traveled to Santiago to protest against the invasion of their countries by the armed forces of the United States, the overthrow of their governments, and the establishment of military régimes by United States marines. Not being delegates, they were denied a formal hearing, the governments of their countries being also at that time under United States control, but none the less they managed to make themselves heard.

Behind the scenes, delegates from Latin-American countries criticized freely the wide discrepancy between the high-sounding official pronouncements of United States representatives and the acts of aggression of the United States in and about the Caribbean, the penetration there of American financial interests, often through direct military force and at other times through diplomatic pressure backed by the threat of actual intervention. Opposition to the dominance of the United States found expression in various ways—chiefly through the efforts of Latin-American delegates to provide for the reorganization of the Pan American Union.

Arguments for a change are based not merely on the fact that the headquarters of the union is in our national capital, but on its organization. The chairman of the governing board is the Secretary of State of the United States and the director general of the Pan American Union has always been a citizen of the United States. Many of the union's bureaus are actually integrated with some of the United States Government Departments at Washington. Most of the union's literature is printed in English and its services have been chiefly utilized by commercial agencies in the United States. Finally, the governing board consists of the diplomatic representatives accredited to the United States —the Ambassadors and Ministers sent to Washington by the twenty Latin-American republics. Thus Mexico actually had no representative in the Pan American Union from 1920 to 1923, because there were no diplomatic relations at that time between the United States and Mexico.

While the United States delegation at first resisted any change in this organization, a slight modification was adopted at the Fifth Pan-American conference. It was agreed that henceforth all the American governments were entitled to representation in the Pan American Union, and that representation should no longer be dependent on whether existing governments were or were not recognized by the United States. Moreover, the president of the governing board, instead of being automatically the Secretary of State of the United States, was to be elected. However, the Secretary of State was immediately elected, and while the United States had yielded slightly, dissatisfaction continued.

This dissatisfaction would have probably assumed a more violent form at the Sixth Pan-American conference in Havana in 1928, but for certain circumstances. First, Cuba was at that time dominated by Machado, whose policy was to be subservient to our State Department in every respect. The State Department, of course, as subsequent disclosures have made plain, was under an alleged policy of "hands off," doing all it could to support Machado. The dictator reciprocated by preventing Havana newspapers from printing adverse or critical

comment on United States policy during the conference, and actually suppressed several newspapers that voiced such criticism. The delegations from several smaller countries in and around the Caribbean were likewise dominated by the State Department. Moreover, the United States sent an impressive delegation consisting of former Secretary of State Charles Evans Hughes, former Senator Oscar W. Underwood, Ambassadors Dwight Morrow, Henry P. Fletcher and Noble B. Judah, Ray Lyman Wilbur, Morgan J. O'Brien, James Brown Scott and Leo S. Rowe. Finally, President Coolidge visited Havana to address the conference, the first time that a President of the United States had set foot on Cuban soil. Thus the heaviest diplomatic artillery of the United States was deployed on advantageous ground to quell any verbal insurrection.

What most concerned Latin Americans was the question of intervention, in regard to which various delegates arose to record the opposition of their governments and peoples. Some even declared that this Pan-American conference might be the last if it did not accede "to the desires of the people of all the continent." Some thirteen States made vigorous declarations in favor of the principle of non-intervention. This principle had been expressed concretely by a conference of Latin-American jurists which had met the year before at Rio de Janeiro.

This sentiment against intervention was met head on by the United States delegation. On its behalf Charles Evans Hughes, speaking with pontificial vigor, proclaimed the view that nations had duties as well as rights, and that "when government breaks down and American citizens are in danger of their lives," the United States could not give up its right to protect them. Since unanimity was necessary for the adoption of a convention or treaty abolishing or limiting intervention, the pleas of the Latin-American States came to nothing.

There was obviously scant meeting of minds between the United States delegation and the majority of Latin-American delegations, the members of which keenly resented our rôle of the self-appointed and self-constituted guardian of law and order in the Western Hemisphere, exercising on our own initiative and authority a right of intervention not claimed by any other State.

This question will be uppermost again in the forthcoming discussions at Montevideo. What the attitude of the United States will be remains to be seen. But an augury of a possible change of policy may be found in the principle advanced by President Roosevelt on May 16 in his appeal to the nations of the world, in which he proposed, subject to existing treaty rights, "that all the nations of the world should enter into a solemn and definite pact of non-aggression; that they shall solemnly reaffirm the obligations they have assumed to reduce their armaments and provided these obligations are faithfully executed by all signatory powers, individually agree that they will send no armed force of whatsoever nature across their frontiers." It will be noted that this proposal is contingent upon certain other actions of the nations. These contingent obligations, however, have little pertinence in Latin America. There is, also, still to be determined the question of whether the Roosevelt administration will adhere to the interpretation of Mr. Hughes, which embodied the policy of the preceding Republican régimes of Harding, Coolidge and Hoover, that our acts of armed intervention in Latin-

American States do not constitute aggression.

No change of policy would be more productive of good-will for the United States than one which frankly abandoned intervention, or at least when such intervention was deemed absolutely indispensable, consulted first with the other Latin-American States with a view to making such action joint—a common task in the policing of the nations of this hemisphere rather than the arbitrary act of a single power deriving its right solely from might.

The growing sentiment in the United States among students of international affairs for a modification of our policy of intervention is indicated by the recommendations made concerning the Montevideo conference by a Committee on Latin-American policy, representing the Foreign Policy Association and the World Peace Foundation, and constituting a cross-section of informed opinion in the United States. It recommends "that the American States conclude at Montevideo an agreement following the general principle advanced by President Roosevelt on May 16 to the effect that no State, acting on its private authority, should send its armed forces across the frontiers of other States, except in accordance with treaties and for the purpose of evacuating foreigners from the ports of disturbed areas."

The committee was not, however, wholly unanimous on this wording. Two members, Professor George H. Blakeslee of Clark University and Eustace Seligman of the law firm of Sullivan & Cromwell, endorsed the resolution with a reservation "that until machinery is created for international control of intervention, a State may send its forces into another State when such other States fail to provide minimum requirements for protection of foreign residents, provided that prior thereto it must present to the governing board of the Pan American Union a full statement of the reasons for its proposed action, invite other American governments to participate in its protective action, and finally promptly report to the governing board on all action taken."

An agreement to continentalize the Monroe Doctrine was also recommended by the committee. The Monroe Doctrine is another sensitive spot in Latin America. Argentina and Mexico have at various times formally declared that they do not recognize it as a regional doctrine. The attitude of virtually all Latin-American States in recent years, declared unofficially, has been that they no longer feel themselves in peril from possible aggression or penetration by any non-American power; that they resent the assumption by the United States of the rôle of protector, and that they far more fear aggression from that protector than from the Old World powers against which the doctrine was originally promulgated. It is therefore doubtful whether even a frank offer by the United States to make the Monroe Doctrine multipartite among the States of this hemisphere would meet with favor. Nevertheless, the following agreement urged by the committee would constitute a distinct step forward:

"1. No non-American State shall acquire territory in the American hemisphere under any condition or gain control of any government in the American hemisphere, and, in the event of a threat of any such action by a non-American State, the American States shall consult with each other.

"2. No American State shall seek in

the territory of another American State any base for military or naval operations, and, in the event of a violation of this undertaking, the American States shall consult with each other."

Of course some of the Latin-American States may raise the point that the United States has already acquired naval bases in this hemisphere outside its own territory. However, the proposal by the United States delegation to continentalize the Monroe Doctrine would go far to show our good-will and tend to square our present policy with its past professions.

Another issue closely related to the foregoing is that of Cuba. On this subject the recommendation of the committee speaks for itself: "Despite existing obstacles, the committee believes that the United States has already made a commendable contribution toward the political success of the Montevideo conference by avoiding armed intervention in Cuba during the recent crisis, and it further believes that an even more friendly atmosphere might be created should the United States announce its willingness to enter into negotiations with Cuba for a revision of the Platt Amendment as soon as normal conditions are restored in the island."

Furthermore, the reorganization of the Pan American Union to make it a more truly joint undertaking will again be urged by Latin-American delegations.

These are the underlying problems which will confront the Montevideo conference. At a time of increasing world chaos and distrust, with international cooperation in Europe and in the Orient apparently on the decline and the use of force ascendant in international dealings, the conference affords an unusual opportunity to strengthen the factors that make for harmony, and peace in the Western Hemisphere. War, to be sure, is now going on between Bolivia and Paraguay in the Chaco Boreal. The League of Nations, which is exercising jurisdiction over this dispute, has sent a commission to the scene, and it is desirable that the Montevideo conference lend its services in support of this League agency. This issue will come before the conference.

Matters of tariffs and trade underlie the political activities which hitherto have occupied the forefront of Pan-American activity. It is apparent that the negotiation of reciprocal trade agreements which would facilitate the interchange of commodities in this hemisphere is a difficult problem in view of the nationalistic economies now rampant throughout the world. That those trade relations will need to be strengthened to achieve econmic recovery is undoubted. Whether or not much can be achieved directly in this field at Montevideo remains to be seen. But it is axiomatic that every mutual interest will be advanced by the creation of an attitude of good-will between the twenty-one States.

How the Wets Won

By ELMER DAVIS

[Mr. Davis, a well-known writer on many aspects of American life, is also the author of several volumes of short stories and essays.]

THE repeal of the Eighteenth Amendment, significant enough in itself, is perhaps still more significant in its implications. Democracy today is in discredit; enthusiasts both of the Right and of the Left assume as a self-evident dogma that the people do not rule, that they are pushed and pulled this way and that by politicians, propagandists and sinister forces. Yet the final phase of the history of the Eighteenth Amendment is a conspicuous instance of the triumph of a mass sentiment which amazed the propagandists and completely dumfounded most of the politicians. The creation of this sentiment was partly the work of outstanding leaders—Smith, Butler, Wadsworth, Morrow, Raskob and others; but most of them sacrificed their own political futures in the cause. When their work came to fruition most of the leaders of the moment were taken by surprise; they did not lead, they were pushed, by the momentum of an unforeseen mass emotion. This time, the people ruled.

Go back to the national party conventions in the Summer of 1932. The prohibition cause was undoubtedly in a bad way; the defection of such a distinguished Republican as Dwight Morrow in 1930, the Wickersham report and its panicky and bungling treatment by President Hoover in 1931, and the apostasy of Mr. Rockefeller Jr. (together with the overwhelming wetness of the last *Literary Digest* poll) in the Spring of 1932, all showed which way the wind was blowing; but most of the politicians who assembled at Chicago in June, 1932, still thought it was only a breeze and not a hurricane. Traditionally, the attitude of party platforms toward prohibition had been to please the drys as much as possible without offending the wets; it looked as if the conventions of 1932 would merely change the emphasis, not the principle, and please the wets as much as possible without too seriously offending the ardent drys.

That was what the Republicans did, or tried to do, with their famous straddle plank—a logical and constitutional monstrosity whose provisions would have been even more unworkable than the Eighteenth Amendment. It was not intended, of course, as a solution of the liquor problem, but as a net to catch as many votes as possible from both sides; but the significant aspect of the Republican treatment of prohibition was not this mild concession to wet sentiment, but the fact that only the influence of the White House on a convention largely composed of Federal officeholders jammed it through. Even so, more than 40 per cent of the delegates joined Nicholas Murray Butler and Hiram Bingham in their demand for straight repeal.

The Democrats, meeting two weeks later, had had time to observe the general ridicule and disgust aroused by the Republican straddle; but the lesson to the average politician was not

that the Democrats should demand repeal, but that if they went just a little further they would get the wet vote without losing too many of the drys. Roosevelt was the leading candidate and the bulk of his support came from the supposedly dry areas. The subcommittee of the resolutions committee that was assigned to draft the prohibition plank was controlled by Roosevelt men; and it voted 6 to 3 for resubmission of the amendment to the people, without committing the party to any position on the question.

That this was not the ultimate decision was due chiefly to Senator David I. Walsh of Massachusetts, vigorously supported by W. A. Comstock (later Governor) of Michigan, Senator Bulkley of Ohio and others, who demanded that the party go on record as favoring repeal, and also immediate amendment of the Volstead Act to allow beer. After the first day's argument they had twenty of the committee's fifty-five members on their side, and these twenty represented a majority of the population of the country. But in convention committees each State has one vote, and it looked as if an alliance of the drys and the play-it-safers would commit the convention to the colorless resubmission plank. The war horses of the dry cause were on hand to fight against any concession to the wets at all; Bishop Cannon, with the prestige of his triumphs of 1928 behind him, warned the committee that "the South will not stand for a wet platform"; and the drys offered an indubitably reasonable and powerful argument when they said that the dominant questions of 1932 were economic and that prohibition at such a time was only a distracting side-issue.

But menaces and logic were equally impotent against an aroused public opinion. Delegation after delegation came to Chicago with the word that "our people back home want repeal." Every time the convention had a chance to show its feeling on the issue, that feeling was wet. On June 29 the resolutions committee wrestled all the afternoon with the platform, and at the end of the day the Walsh-Comstock plank committing the party to a demand for repeal carried in the committee by 35 votes to 17. When it came to the floor of the convention the majority for it was still more overwhelming; after such drys as Cordell Hull had argued for the mere-resubmission plank on the ground (again, very plausible) that it would be unfair to bind dry Democrats to support a party declaration which did not agree with their convictions, the convention adopted the plank demanding repeal by a majority of 934 to 213.

This was the real death blow to the Eighteenth Amendment. Prohibition, it is evident in retrospect, was already doomed; but it would not have fallen in 1933, it might have dragged on for years longer, but for this successful fight in the resolutions committee. Al Smith did more than any other one man to kill prohibition, but for the decisive blow at the decisive moment the credit is chiefly due to Walsh and Comstock. Yet they would have been unable to win over the majority of the committee if the most insensitive of politicians had not suddenly realized that on this point the people had made up their minds.

Properly enough, prohibition played a minor part in the campaign. The Roosevelt victory could be construed as a mandate for repeal, at least in a negative sense; but the election had obviously turned chiefly on other issues, and few people appreciated the significance of the fact that several States, on election day, had repealed their own prohibition laws.

When the lame-duck Congress met,

with urgent economic problems pressing for action, the Democratic House leadership under Vice President-elect Garner insisted on having a repeal resolution brought up on the opening day. Indignant wets protested that this was a snap vote intended to shelve the question for the remainder of the session, and indeed, in such a critical time, there would have been much excuse for shelving it if it threatened to consume the time of Congress in protracted debate. The drys objected to the immediate vote for other reasons; one of them, Representative Tarver of Georgia, declared that "you know if you don't do it now you won't do it at all." They did not do it then; but 272 Representatives voted for repeal, only 144 against it; a change of six votes would have put it over. Also, more than half of those who voted dry had been defeated for re-election; the wets were mostly coming back for another term.

Nevertheless, the dry leaders greeted this dubious victory with jubilation —"the tide has turned," "next time the margin will be greater," "the South will never vote against the Eighteenth Amendment," and so on; but from this time on the comments of the gentlemen who were rattling around in the shoes of the late Wayne B. Wheeler were destined to provide comic relief to the drama of repeal. On Dec. 21, 1932, the wets won their first Congressional victory in fifteen years when the House passed, by a majority of 65, a bill legalizing 3.2 per cent beer. Only seven months earlier the same men had voted down a 2.75 beer bill by a majority of 40; sixty-odd votes had already been changed by public opinion. That bill died in the Senate; but meanwhile a Senate subcommittee headed by Blaine of Wisconsin (a wet lame duck) was considering a repeal resolution, and it was this which was finally submitted to the States.

Here was the second critical point in the repeal process. The subcommittee had originally considered submitting the amendment for ratification, as usual, by State Legislatures; but wets who remembered how Anti-Saloon League pressure had stampeded the Legislatures of 1919 had put the demand for ratifying conventions into both national party platforms, and this eventually went into the amendments. It seems likely now that Legislatures would have ratified about as quickly as conventions; but in February the overwhelming trend of public sentiment was not fully appreciated. The Blaine resolution, moreover, was at first unsatisfactory to the wets because it included a clause giving to Congress power to regulate or prohibit consumption on the premises. This, of course, retained the principle of Federal control of local habits and insured that a large part of every session of Congress would be taken up with a fight over prohibition; the provision was later amended to give Congress and the States concurrent power to this end, which would have been even worse.

That clause was stricken out on the floor of the Senate (after the threat of a dry filibuster had been repulsed) by the narrowest possible margin, 33 to 32; and the decisive vote against it was cast by the dry Senator Borah on constitutional grounds—that in a State which chose to legalize the saloon there would be "two sovereignties contending against each other." This brought the resolution down to the "naked repeal" that the House wets were demanding; and its nudity was decently veiled by an innocuous fig leaf at the last moment when a clause reaffirming constitutionally

the Federal protection for dry States (already provided for by the Webb-Kenyon Act of 1913 and the Reed amendment of 1917, which are still in force) removed the qualms of dry Democrats who did not want to go against the official pronouncement of their party. Thus amended, the Blaine repeal resolution passed the Senate on Feb. 16, 1933, by a vote of 63 to 23; the Democrats dividing 33 to 9, the Republicans 29 to 14.

Now at last the Democratic leaders were realizing what a gold mine they had unwittingly got hold of when the party platform demanded repeal. In the House, a caucus made repeal a party issue, and when, on Feb. 20, the resolution came to a vote, 179 Democrats were for it, only 32 against. The Republicans, who had shown a majority of only 3 for repeal in December, gave a margin of 20 in February and the resolution passed the House by 289 to 121. (The lone Farmer-Laborite in each house voted for repeal.)

The dry leaders still vociferously insisted that the amendment would never be ratified by thirty-six States, but they cast some doubt on their own assertions by their desperate endeavors in various States to prevent any expression of public opinion. In Ohio and Missouri they attempted by petition to get up "referendums against the referendum"; but in both States the courts ruled against them—in Ohio invoking, with poetic justice, a precedent set when Ohio wets had tried to head off the ratification of the Eighteenth Amendment fourteen years before.

In New York, the courts were asked to enjoin the election of convention delegates as unconstitutional, but the application was soon withdrawn and a similar attack threatened in New Jersey by the Anti-Saloon League leaders never materialized. Still, in early Spring few people would have predicted the ratification of repeal in 1933; it was believed that a number of States would go dry, and it seemed doubtful if thirty-six States would take action during the year. In Maine and Kansas bills providing for a vote on ratification were beaten in the Legislature; in other States either Legislatures or Governors refused to take action. The only sign of the trend then visible was the action of the Legislature of Alabama, which passed a bill for a referendum over the Governor's veto. And meanwhile it began to seem possible that modification might block repeal.

Beer had been legalized in March and many observers expected the consequences of this measure, whatever they might be, to work against the repeal movement. The drys predicted orgies of drunkenness against which the moderates would revolt, and many wets thought that beer would satisfy so many people that the demand for repeal would lose much of its force. A more powerful influence in this direction, largely overlooked at the time in the excitement about beer, was the repeal of restrictions on prescription liquor at the end of March. This made good whisky cheaper and easier to get than it had been for fourteen years, and it could have been supposed that many drinkers of hard liquor would feel that they had about all they wanted without going any further.

Such was the situation when the "repeal parade" began with the election in Michigan on April 3. The State dry law had been repealed in November by a vote of 2 to 1, and the wetness of Michigan as a whole was not in doubt. But the drys (after the usual vain attempt to prevent the referendum) had insured the election of delegates to the convention by legislative districts. Since in Michigan, as in most States, the districting

favors the farming areas against the cities, the drys were much better off than if the delegates had been chosen at large. But Governor Comstock's State went wet by 3 to 1 and the repealists carried 99 out of the 100 districts. Here was the first evidence, destined to be reinforced in one State after another, that even the farmers had largely deserted prohibition. The next day Wisconsin, whose distate for prohibition had long been known, went for repeal by an even larger margin.

But the drys were not discouraged. At a conference in Washington on April 13 the Rev. William S. Abernethy declared that "the wets in their mad hysterical demand for beer have assured the retention of the Eighteenth Amendment." Rumors from Rhode Island, the next State to vote, gave him some support. Rhode Island had never ratified the Eighteenth Amendment, but at the last moment the repealists began to be worried by the fact that beer had brought back the saloon. It was feared that this would estrange the middle-of-the-road voters; but on May 1 Rhode Island went for repeal by 7½ to 1, every rural town but one voting wet. The drys pinned some hopes on the next State, Wyoming, on the ground that here they had had "time to organize"; but their organization succeeded in electing only 40 of the 374 delegates to the convention. The next State, New Jersey, was never in doubt; but the wets derived further encouragement from its decisive margin of 7 to 1.

Meanwhile, however, repealists had begun to be disturbed by the silence of the White House. Mr. Roosevelt, who had told the nominating convention that "your candidate wants repeal," had said nothing about it since his inauguration, and there was a persistent rumor that he was satisfied with beer and would not risk loss of support for his recovery program by further antagonizing the drys. But the introduction of the National Industrial Recovery Act on May 17 was accompanied by a Presidential message in which, almost parenthetically, was presented an argument for repeal peculiarly effective in the circumstances of the moment, namely, that the new and onerous taxes required to finance the public works program could be dropped on the repeal of the Eighteenth Amendment, when "the pre-prohibition revenue laws will automatically go into effect." This was almost Mr. Roosevelt's first contribution to the repeal movement; but it was astutely timed, and beyond doubt of immense influence. Every taxpayer had thereafter a personal interest in the repeal of prohibition.

New York's vote on May 23 was notable only for the size of its wet majority—nine to one. After the largest State came the two smallest, on May 27; the drys had no hope in Nevada but they had some reason to count on Delaware, one of the few States that had stood by Hoover in the previous Fall. But the home State of the du Ponts fell in line with their crusade, and went three to one for repeal.

By the beginning of June the drys were saying that they had never expected to carry any of the eight States that had already voted, though in fact they had had some hope in Wyoming and Delaware, but that June would tell a different story. Eight States were voting in that month, and on June 4 Dr. F. Scott McBride, general superintendent of the Anti-Saloon League, declared that all of them "except possibly Illinois" would go dry. Illinois went overwhelmingly wet on June 5, even the formerly dry down-State districts voting two to one for

repeal; and the next day the drys suffered their heaviest blow yet when Indiana, once the meekest satrapy of the Anti-Saloon League, voted three to two for repeal. Delegates were elected by districts, but the drys got only one-fourth of them.

The undissuadable McBride, with no hobgoblin fears of inconsistency, asserted next day that "Indiana is normally wet." It had been abnormally dry a few years earlier; the change might possibly have been explained by the fact that of its outstanding dry leaders, darlings of the Anti-Saloon League, one was serving a life sentence for rape and another had escaped jail for bribery only by pleading the statute of limitations. Anti-Saloon League chickens were coming home to roost. Just before the election Bishop Cannon had said that "if we can win Indiana we can prevent repeal." When they so conspicuously failed to win Indiana, many drys must have seen the handwriting on the wall.

And now the influence of beer was beginning to be felt, an influence strongly favorable to repeal. Dr. McBride, fighting to the last, had said that "the brewers are cheating; they are afraid to put 3.2 per cent of alcohol in their beer"; yet at the same time he had seen more drunkenness since the beer bill was passed than in the fourteen years since the adoption of the Eighteenth Amendment. No one else, however, seemed to have noticed it; the excesses that even many wets had feared had not occurred—beer was making people happy and was not making them drunk. The success of that experiment was undoubtedly another strong influence toward repeal.

Massachusetts, Connecticut and New Hampshire voted wet as expected (though by wider margins than most people had foreseen), and on June 20 another notable conversion was registered when Iowa, once almost as dry in theory as Indiana, went for repeal by three to two. Still more striking was the vote of California on June 27. It had been supposed that Southern Californian sentiment plus the influence of the wine-grape interests might perhaps hold the State for the drys, though their leaders evidently knew better, vainly trying to stop the vote by court action; but the wets carried it three to one. West Virginia voted for repeal the same day; and the gallant McBride found in the fact that the margin here was smaller than usual evidence that "the dry chances are constantly improving." It took faith to draw such a lesson from a repeal victory in a State which twenty-one years earlier had adopted State prohibition by a majority of 80,000.

In July the repeal movement came up to the high hurdle. Sixteen States had already voted on the amendment; all had voted for repeal, including at least five that were traditionally dry; almost everywhere the size of the repeal margin had been astounding. But all these States except West Virginia were north of Mason and Dixon's line. July, with Alabama, Arkansas and Tennessee voting, was to test the doctrine so constantly asserted by dry leaders, and accepted by many of the wets, that the South would never let the rest of the country get rid of prohibition. Here Mr. Roosevelt struck his second blow, and again it was powerful; on July 9 he called on Alabama Democrats to stand by their party platform and vote for repeal. Postmaster General Farley reinforced the appeal by personal conversations on a missionary journey through the three States; and on July 18 repeal carried Alabama and Arkansas, in each case by about three to two.

From that moment the fight was over. The *Dallas News* saw in the Alabama-Arkansas vote "the utter rout of preacherdom," and offered the sound if not very novel advice to the clergy to get out of politics and go back to the Gospel. Yet two days later the drys almost won their only victory. Mr. Roosevelt's letter may have helped powerfully to carry Alabama and Arkansas, but it almost lost Tennessee; when he made repeal an issue of party loyalty the Republican mountaineers of Eastern Tennessee turned out to vote against it. Only the heavy vote rolled up by the Memphis machine enabled the wets to carry the State by a margin of 8,000 in a total vote of a quarter of a million; if the delegates had been elected by counties instead of at large they would have lost it.

Still, repeal had carried Tennessee; the next day it carried Oregon, another former dry stronghold. As late as June 18 Dr. McBride had been declaring that "the real test will not come till next year"; a month later it was apparent that there would be no next year. The only dry leader who still kept up his spirits at the end of July was Canon William Sheafe Chase, who was sure that the Supreme Court would hold that elections in all States which had chosen delegates at large were illegal—a view hardly plausible in view of the tendency of the court, pointed out long ago by Mr. Dooley, to follow the election returns. Now States that had earlier hesitated or refused to act were hurrying to fall into line. Four more ratified in August, including Arizona, dry since 1915; Texas, once a province of "preacherdom"; and Washington, where the drys had hopes because the delegates were chosen by districts, but carried only four districts out of 99. Seven more States joined the parade in September; four of them, including Maine, the cradle of prohibition, had formerly been counted as dry, but the only one in which the vote was at all close was Idaho, where Mormon influence held down the wet margin to about five to four. In October Virginia turned against Bishop Cannon and Florida came into the fold; and Nov. 7 was to see the final triumph.

No doubt the later stages of the movement were speeded by a feeling among moderate drys, expressed by Governor Pollard of Virginia when he advised his fellow-citizens not to stand out against a constitutional change already demanded by thirty-one States. Fanatical prohibitionists had long talked of the thirteen small States that could keep prohibition in the Constitution even if the rest of the country wanted it taken out; but many of their followers were better sportsmen and better citizens. Even if they had not been, it seems doubtful if thirteen States could have been found. The latest tabulation of the popular vote, at this writing, shows that while about 40 per cent of the people who voted in last year's Presidential election did not vote on prohibition at all, three-fourths of those who did vote demanded repeal.

It is fortunate for the nation that the wet preponderance was so overwhelming; fortunate that ratification was by popular vote and not by action of Legislatures (too many people remember how the Anti-Saloon League stampeded Legislatures in 1919); fortunate that in no State was a wet popular majority nullified by the tortuosities of legislative districting. The people at last had a chance to speak, and they spoke without ambiguity. A year ago, even six months ago, no one could have

dreamed that the decision would have been so speedy or so one-sided. Political leaders in the main did not lead; they were pushed, and pushed by a tidal wave. Even Mr. Roosevelt, whose two interventions in the campaign, perfectly timed to produce the maximum effect, were largely responsible for the success of repeal in 1933, had little to say until a far-sighted man could see that a tidal wave was coming.

And now what? State control of liquor sales may mean a dozen different systems, at least in the experimental period. States that want saloons will have them, but there is ground for hope that they will be an improvement on the saloons of old. In New York many of the better speakeasies, organized as clubs, intend to remain clubs after repeal, counting on faithful old customers to sustain them against the competition of public restaurants; it remains to be seen how they will fare. One thing seems pretty sure—a man who travels much across State lines is apt to find himself pretty much confused in the Nineteen Thirties unless he sticks to wine and beer.

But the Federal Government is not yet wholly detached from the liquor issue. The Twenty-first Amendment empowers it to help the dry States keep liquor out, and that proviso is a morally binding contract; without it, repeal might not have mustered enough moderate votes to pass Congress. It is true that the history of the years just before, as well as of the years since, constitutional prohibition was adopted suggest some doubt as to whether there is any State with a passionate desire for genuine dryness; but there will undoubtedly be States that will vote themselves dry, and the wets are under obligation to help them stay dry.

Two Federal laws, enacted to this end before the day of national prohibition, are still in force—the Webb-Kenyon Act of 1913 and the Reed Amendment of 1917. The first of these prohibits shipment in interstate commerce of liquor intended "to be received, sold, possessed or in any manner used in violation of any law" of the State into which it is sent. But this still permitted shipment into the so-called dry States—mostly Southern—which at that time allowed importation of limited quantities of liquor for personal use even though public sale was forbidden. It is hard to see how any reasonable wet could object to the continuance of the Webb-Kenyon Act.

But the Reed amendment is a very different matter. This statute, a rider to the Postoffice Appropriation Bill of 1917, forbade any shipment of liquor at all into States which did not permit its manufacture and sale. States semi-dry by their own enactment were to be forcibly and completely dried up by Federal authority. Not much attention seems to have been paid to it in the two years before it was superseded (though not repealed) by the Volstead Act; but there it is, still on the statute book despite the repeal of the Eighteenth Amendment. In 1917 some States prohibited liquor advertising, others did not. The Reed amendment provided that no "letter, postal card, circular, newspaper, pamphlet, or publication of any kind" containing liquor advertising could be mailed into any State where such advertising was forbidden by local law; violation entailed penalties of fine and imprisonment on everybody concerned; and it was further provided that trial could take place either in the State from which, or the State to which, the offending matter was sent.

Whatever Senator Reed's motives in introducing this proposal, which was

passed in compliance with demands of the drys, it now reflects the sentiment of a very different time, when the Anti-Saloon League could get away with anything, plus resentments irrelevant to the whole issue. However, it is hard to see how radio advertising, undreamed of in 1917, can be prevented from crossing State lines.

The beer bill passed last Spring explicitly recognized the Webb-Kenyon Act, and re-enacted the shipment (but not the advertising) clause of the Reed amendment, as applied to beer. Neither seems to have had any effect in keeping beer out of the States whose citizens wanted it and whose politicians would not permit its sale. But the obvious remedy for that is to change the local laws to reflect local opinion. The recent volume, *Toward Liquor Control,* prepared by Raymond B. Fosdick and Albert Scott under the sponsorship of John D. Rockefeller Jr., recognizes that State-wide prohibition can succeed only if there is an "overwhelming majority" in favor of it; and that even so it might be wise to make concessions (as in delivery of package goods) to the wet minority, to prevent such States becoming "paradises for bootleggers" whose product would undersell good legal liquor in wet States. With State laws really reflecting local sentiment, with the Reed amendment repealed, the prohibition unit might enforce the Webb-Kenyon Act with fair success. Otherwise there arises the possibility that the Federal Government, after repeal, might have to protect the wet States against bootleg competition from their dry neighbors.

Taxation is another Federal problem. At this writing domestic whisky is subject to a Federal tax of $1.10 a gallon, with a tariff duty of $5 a gallon on imported liquors. The first liquor advertisements in New York, for delivery after repeal, quoted prices for standard brands of liquor which, with the tax included, were considerably higher than current rates for bootleg imitations. A nation which is still hard up, and has become toughened to all sorts of synthetic substitutes, may enable the bootlegger to go on prospering, if the price of real liquor is set too high.

Again the Fosdick-Scott study takes the sound position that the primary objective should be temperance and the elimination of corruption rather than revenue. Taxes should be kept down so that prices can be kept down and bootleggers driven out of business. Yet the government is going to need a great deal of money in the next few years, and the yield of all taxes has fallen off considerably; and one of the most powerful arguments in the repeal campaign was the possibility of substituting liquor taxes for others that have proved more burdensome. Inflated hopes of liquor revenues must be abandoned if the liquor racketeers are to be put out of business.

From about 1907 to 1920 the tide ran powerfully in favor of prohibition; since 1925 it has been running, with increasing force, against it. But if the liquor problem should be mishandled in many States that tide might turn again. Many even of the liquor manufacturers have recognized this; it may be hoped that politicians will recognize it too. Otherwise they may be surprised, as many of them were in recent years, by a sudden and irresistible change in the temper of the nation. Even a politician must be preternaturally stupid if he does not learn a lesson from the rise and fall of the Anti-Saloon League.

NRA Days in Washington

By E. FRANCIS BROWN

WASHINGTON has become the nerve centre of the nation. Though the political capital, it seldom before 1933 enjoyed the privilege of actually determining the destinies of America. That power had been lodged in the lower tip of the island of Manhattan. Now things are different. Decisions are made in Washington and the multitude of Mr. Roosevelt's countrymen who have descended upon the city on the Potomac are there for much more important reasons than sight-seeing.

The tourists are present, of course, even if their number is smaller than in happier times. This Autumn they can be seen on every hand, gaping at the great new government buildings that are arising along Pennsylvania Avenue, rushing through the long corridors of the Capitol, peering through the fence around the White House at Mrs. Roosevelt's blue roadster parked in the main drive. Periodically, guide books in hand, they tumble out of the cabs and buses which have carried them to the National Cathedral, to Arlington or to Mount Vernon. Over the dinner table in the evening they review the day's experiences and list the national monuments visited. The conversation lags, then shifts to the topic which in Washington, perhaps even more than in any other city, is uppermost in every mind—the NRA.

The magnet of the NRA and the other recovery measures has attracted thousands of men and women to the capital in this year of 1933. Foremost among them are the leaders of business, whose mission in Washington is vital—to secure for trade a maximum of privilege in the new industrial government that is being established in America. Delegations arrive and depart. Night after night they crowd the lobbies and lounges of the leading hotels. Watch them as they sit talking and smoking in the lobby of the New Willard or the Raleigh or the Washington. These are no social theorists; these are pragmatic realists whose test for things social and economic is, How much are they worth? Possibly they are men of limited vision; yet their knowledge of their own particular sector of the economic front is great. Aggressive, tough-minded, sometimes uncouth and tactless, they possess a keenness where matters of business are concerned that one cannot help but admire.

In the morning the worshipers at the shrine of practical affairs reappear in the hotel lobbies. Soon, brief cases in hand, a newspaper under one arm, they head for hearings on codes of fair competition, and these are legion. It is surprising how the type of business representative varies with the industry. There are men whose features, whose bearing, carry the stamp of America's aristocracy; there are others whose speech betrays a foreign boyhood or the background of New York's East Side. Poise and urbanity are contrasted with uncouthness and a general unfamiliarity with the American way of life. Yet they must be lumped together, for these are truly the captains of industry.

Never since the war has there been such an opportunity to view American business in all its complex variety as is now afforded by the NRA and its codes. The big heavies were disposed of during the Summer and early Fall; now it is the turn for industries of whose existence most Americans are hardly aware. Perhaps it is knitted outerwear this morning—or academic costumes or gas appliances or excelsior products. But whatever the industry, hearings will be in progress in various government buildings or in the Palm Garden, the Rose Room or the Grand Ball Room of the larger hotels.

Drop in on one of these sessions. They are handled efficiently, despite a good-natured informality. Outwardly at least, capital and labor and the government appear to work together harmoniously. The representatives of industry sit on fragile, gilded chairs facing a dais on which, at a long table, are men from the Consumers Advisory Board, the Labor Advisory Board and the legal branch of the National Recovery Administration. A deputy administrator, young, vigorous, clean-cut, calls the meeting to order. The proposed code is dissected, clause by clause. If this is the first hearing the argument may be prolonged.

Labor comes forward to state its position on wages and hours of work. Much has been learned since the first code was accepted in July. No longer can the forty-hour week be countenanced; now it is thirty hours of work in a five-day week. The sweatshop and homework are denounced; a lone employer, to the startled amazement of his colleagues, applauds. Yes, there are liberals among business men. As labor's demands are unfolded, the industrialists smile skeptically or shake their heads dubiously. But on the surface all is amicable as the smoke from cigars and cigarettes drifts toward the watching cupids on the ornate ceiling.

It is the industrialists' turn. They talk as though their economic lives were at stake. Perhaps they are. "Labor's demands are preposterous." There is debate on how best to meet the competition of rival industries, on trade practices, on the setting-up of a code authority. Suddenly the hearing is recessed, maybe to meet later for consideration of a revised code. Tomorrow another group will occupy the hearing room and the process will be repeated.

There are others in town at the behest of the NRA, some to appear before the National Labor Board in the colossal structure that houses the Department of Commerce and the National Recovery Administration. The epidemic of industrial troubles has permitted this agency little respite from weighing in the balance the recriminations of capital and labor. Heads of great corporations, accompanied by a retinue of counsel, oppose leaders of labor unions as the board attempts to mediate the class struggle.

If the sessions of the Labor Board are executive, the proceedings can be watched through the glass panels of the meeting-room door. In many ways the drama is more exciting because in pantomime. Senator Wagner is presiding. That Napoleonic-looking individual with the shock of hair is John L. Lewis. William Green is at the other end of the table. The man with the pipe is Leo Wolman. For the moment the rest of the board, except Father Haas, are missing. The employer is typical of his group—well-groomed, self-confident, rather impressive. The men of labor lack nothing in forcefulness or self-assurance; possibly they present their case with almost too

much vigor. Ill-fitting clothes, poor haircuts and faces scarred by years of toil emphasize the gulf that separates them from the man whose interests they are attacking.

To administer the NRA and the other recovery measures men and women have been gathered in Washington, forming a new brigade in the army of civil servants. They have been recruited from every walk of life—from finance and industry, from agriculture, from journalism and the law. Many exude enthusiasm for the New Deal and its underlying philosophy. Few among them would be willing to forego the exhilaration that arises from being instruments, however humble, in a historic process. Most of the new administrators—they are to be seen at code hearings as well as in their offices—are men, especially young men, for this is their hour in court. Probably most are in the late thirties or early forties; only the exception is over fifty. This youthfulness gives cause for hope; it might give more if the old-timers were not still in control of politics and business.

It is unnecessary to be deeply versed in the affairs of the capital to learn that these men of the New Deal are working too long and too hard. Perhaps one's host at dinner excuses himself to hurry away for a conference that begins at 9 in the evening and continues until weariness forces a halt. Assistants and advisers in the many agencies that have sprung up as part of the complex recovery machinery tell of their working-day which knows nothing of the Blue Eagle. At last one understands why the lights burn so late in the government offices. Old hands among the newspaper men intimate that some of the mistakes in the NRA have been made because decisions had to be reached when the fatigue of a fourteen or sixteen hour day prevented clear thinking. Already men have begun to break under the strain and are slipping away to recuperate.

Though the recovery program receives the greatest attention from Washingtonians, there is energy left to follow the Senate exposures of the missteps and mistakes of the old days. Will these exposures make possible the rebuilding of a new social and economic structure? Or are they only muckraking? The sure answer must be delayed. Meanwhile, the probe into the affairs of Wall Street and of the nation's bankers goes ahead.

For weeks the princes of finance, somewhat tarnished in reputation maybe, have had to stand up to the rapid-fire questioning of Ferdinand Pecora in the marble caucus room of the Senate Office Building. Perhaps there are a hundred or two spectators listening to the examination; the amplifiers are somewhat inadequate, so that one has to strain one's ears to hear the questions and answers. For the most part the proceedings drag and are uniformly dull. Whoever is on the stand must constantly turn to his staff of accountants and advisers for information. Only occasionally is there a mild sensation, though the spectacle of a great financier being quizzed by a swarthy, cigar-smoking attorney is pleasantly shocking. The haze of tobacco smoke blankets the assembly. An observer whispers that most of the members of the Senate committee would like to call off the investigation, but dare not. Visitors drift in and out of the hearing. Press messengers rush copy to the operators of the telegraph which in the corridor outside is tapping the story to the country. Somehow, despite the prevailing dullness, there is an air of excitement in the room.

These are the spectacular aspects

of Washington today. But the quiet, steady operation of the governmental machinery goes on in department after department, whose work is a closed book to the tourist. What he knows about them is obtained from conversation with friends, with the ubiquitous taxi drivers or from his newspapers. It is from such contacts that one becomes acquainted with the various moods of the capital city.

Echoes of the battle of the patronage will be heard, for few departments have escaped the threat that they will be invaded by political job hunters.

There is talk of the control which is being extended by the R. F. C. over the railroads and the nation's banks. Will that bring us to State socialism?

And mixed up with the discussion of serious questions is the gossip about personalities; one soon discovers that the case of Raymond Moley has yet to be forgotten.

There is something greater which cannot be witnessed, which can only be felt—the influence of the President. At the capital one never forgets that he is the Chief Executive of the nation. His personality, his point of view seem to be ever-present. Stories about him inevitably crop up in conversation—his ability to cut through unnecessary red tape; his unorthodoxy; his breezy informality. Even a city that has seen administrations come and go, with the emphasis on "go," has yet to be disillusioned about Mr. Roosevelt. Some people may not like his works but they like him, perhaps because he is so human. Even the casual observer is pleased to see beer being unloaded at the White House. So far Washingtonians are still willing to give odds that the Roosevelt administration will reach its goal. And this is true despite the fact that the prevailing mood when all the gossip and discussion has died away is one of skepticism. Perhaps underlies the saying that "the Hoov administration made monkeys of t] American people; now Roosevelt giving them trees to climb."

Skepticism is mingled with pes mism, especially in regard to the NR Even the most hostile critics in Was ington are prepared to admit that t Agricultural Adjustment Administr tion has done a better job than t NRA. True, the AAA has made m takes, but they are not very great a the men in that quarter have the feet firmly on the ground. So ru the story.

But the NRA is different. In host ity to the industrial program two verse groups are allied—the radic intellectuals and the business conse vatives. Their attack is on basical different lines, and, of course, there no idea of making common cause. hostility were confined to this stran combination, members of the admini tration might find ground for consi erable satisfaction, but dubiety exis in the minds of many realists who allegiance is to neither philosophy.

It is hard for them to forget th the first industrial codes embodi serious faults which all but destroy their effectiveness. Moreover, labo interests—and labor was itself som what to blame—were not properly pr tected. Even if in later codes the co sumer received consideration, a fa which made for codes that benefit every one, it is true that those wl must buy in the nation's markets ha until recently been almost forgotte Furthermore, the NRA has been i properly coordinated with the rest the recovery program—witness t] growing spread between what t] farmer receives for his products a what he pays for goods.

The spectre of fascism haun Washington, also—at least such is t]

belief of certain socially minded journalists and men in the administration. Why? Because the NRA codes strengthen industry through repeal of the anti-trust laws and the creation of coordinated industrial groups without setting up any adequate counterbalance. Instead of individual competing units within an industry, all units are grouped together under a single code authority. The potential power of such an organization is tremendous.

Labor, on the other hand, has gained nothing like commensurate power. The codes supposedly recognize collective bargaining; yet, have not the strikes that have been so prevalent broken out because the employers refused to carry the principle into practice? If labor cannot enjoy a privilege established by law, it can hardly expect to enjoy privileges which it seeks through the more usual labor weapons. Moreover, by its failure to abandon craft unionism in favor of industrial unionism, labor seems to have foregone its great opportunity to seize a position that can be held against the onslaught of monopoly capitalism.

Finally, the government at the moment seems to be controlling business; is not its control, however, of such a nature that business might suddenly turn and control the government? These are questions that are being asked in Washington. And many a man believes that if a movement should arise in America that menaced the stake of business leaders in the social order, a Fascist State might suddenly, unexpectedly, supplant the present democratic system. The talk is general, somewhat vague, for after all no one really knows what fascism is or can define it satisfactorily.

Skepticism, pessimism, yes, but there are optimistic notes also. The middle-of-the-road progressive finds hope in the general belief that the President is ready, if necessary, to move far toward the Left in order to remake American society. For instance, the investigation of the Federal Trade Commission into the salaries paid to corporate executives is regarded as pointing toward the administration's willingness to penetrate further into the citadels of rugged individualism. Moreover, it is considered a healthy sign that from the start the recovery measures have been considered experimental. Seldom has the President declared: This is my policy. He has not been misled by the foolish consistency that traditionally is the bugbear of little minds and politicians. As a result he can abandon positions in favor of others that promise to be stronger. It means that the game is not up so long as there are tricks left in the hat. One of the members of the administration has declared that it is following John Dewey's principle of learning through doing. But is there time, Washingtonians ask, to learn that way? Nevertheless, such unorthodox methods of conducting a nation's affairs have a freshness that in itself may indicate the dawning of a new day.

And so at the capital one is torn between optimism and pessimism, between hope and fear, at the same time that one is impressed by what is being done. Too heavy discussion, too much thought about serious problems makes an evening of dancing at the Russian Troika or some other Washington club a welcome diversion. Even congenial fellowship over the bootleg rye that flows so freely in the capital may not be amiss. After such an evening one sleeps well and awakes refreshed to learn that during the night the Republic has not fallen.

As the Farmer Sees It

By SAMUEL LUBELL AND WALTER D. EVERETT

[The authors of the following article spent most of the Summer in the farm regions of the United States, studying the popular response to the working of the Agricultural Adjustment Act.]

THE angry chorus of voices rising out of the Midwest has struck at the heart of the New Deal. The restoration of industrial prosperity upon a sound rural economy, the basic aim of the recovery program, can hardly be reconciled with a "plundered" farmer who believes his throat is "being cut from both ears." What has the Agricultural Adjustment Act accomplished? Have its results been so meager as to justify the farm strike? If not, how account for the widespread conviction among farmers that the NRA has brought about a growing disparity between their incomes and the costs of the things they buy?

A comparison of the benefits that the New Deal has brought the city man and the farmer will not find the latter on the short end. Nor should any statistician have difficulty in proving that the gross farm income has been increased measurably over a year ago. But the farm strike cannot be explained through the adding machine or by economic formulas. Essentially it is human nature in revolt—one is tempted to add—against agricultural planning in terms of supply and demand.

The bridging of the gap between the farmer and the city slicker by means of a processing tax and a guaranteed domestic market is as ambitious an undertaking as the Soviet attempt at the collectivization of agriculture. More than mere price manipulation, parity implies a shift in the seat of political, economic and social power—from the industrial East, where it has been lodged since the Civil War, to the Midwest. Not only must the money changers be driven from the temple but the temple itself must be removed to a purer and more decentralized location. To appreciate the difficulties in the way of such an achievement one should imagine a tight-rope walker trying to keep his balance with the audience hooting and clamoring, with stagehands in both wings pulling at the rope, and with boys in the gallery tremendously busy with their pea-shooters.

The first of the basic agricultural commodities to be blessed was cotton. The necessity of pushing the program through before the arrival of picking time prevented elaborate preparations. The Pied Piper could but jingle the barrel top. For a time it seemed that the rattlings of twelve-cent cotton would drown out the government's jinglings. Only an extension of the campaign, a patriotic appeal by President Roosevelt and a slight break in the cotton market brought about the removal of 10,000,000 acres from cotton production.

Estimates of their past production submitted by cotton planters revealed that they were laboring under an extreme superiority complex. In many cases their figures were 250 per cent above the government's statistics. Farmers serving on county committees turned in excellent yields per

acre. Of course they were the better farmers. But as one planter remarked, "We never thought they were that good."

When the mules were unhitched, after having trampled under one-fourth of the bursting bolls, statisticians discovered that, despite the destruction, a normal crop would be picked. Increased cotton plantings to have more to plow under, intensive cultivation and good weather conditions had offset the reduction. For practical purposes the government had subsidized the farmer to the tune of more than $110,000,000.

The announcement of the plan for buying 5,000,000 hogs—4,000,000 pigs weighing between 25 and 100 pounds, and 1,000,000 sows—was not welcomed by all farmers. There were innumerable protests against "wastefulness." Nebraska farmers complained that the program would help the feed-deficient areas more than the Corn Belt where feed was plentiful. A number of farmers were inclined to keep their pigs and fatten them in the hope of profiting from the higher prices that were to come from the program. In general, however, farmers betrayed no hesitation in swamping the packers with pigs. But the sows stayed at home. Only 220,000 appeared. To make up the difference the government increased its purchase of pigs to 6,200,000. About 80 per cent of these pigs, particularly those from distressed areas, were unfit for practical processing. The withholding of the sows could be interpreted only as a forecast of a fairly normal farrowing. Once again the government had paid out money, about $31,000,000, and had not received what it bargained for.

But both the cotton and hog-buying programs were emergency expedients. Farmers could hardly be expected to embrace with enthusiasm destructive practices so completely foreign to their two-blades-of-grass philosophy. At best the program could only check increases in production and prevent further demoralization of prices.

Unfortunately farmers had been led to expect immediate price rises. When prices did not rise—certainly, in part, because of the self-defeating reception accorded the programs—farmers were quick to complain that the measures had failed and to demand stronger medicine—price-fixing and inflation. Farmers were all the more ready to protest because they had never sympathized with any part of the program save the cash subsidy.

This lack of sympathy was reflected more clearly in the farmers' reactions to the wheat program. The primary interest of M. L. Wilson, the wheat administrator, was not in meeting an emergency but in evolving a national land-use program. The allotment scheme, although dear to his heart, was "only a Model-T compared to what might come out of it." Wilson frankly feared for the success of the program "unless the farmer adjusted his thinking." The farmer had to face certain realities. The export market is gone. The United States is a creditor nation. Overproduction exists. The farmer has to learn to think of his difficulties as national, not personal problems. The fatalistic belief that nature cannot be curbed by human effort must give way to the realization of the need of controlled production. For the great task of "educating" a million-odd wheat growers Wilson would have liked "at least a year." He had to content himself with four months.

A tremendous campaign of "education"—one that would have done credit

to Mark Hanna—was launched. With the agriculture extension service, the greatest propaganda machine in the country, taking the lead, every possible facility was utilized. Newspapers, press associations, farm journals, county weeklies, and national periodicals participated. From Washington came a steady stream of educational matter in the form of news stories to be adapted for local papers, film strips, posters, primers, circulars, cartoon graphs, charts and radio broadcasts. This material was supplemented by local campaigns, public meetings and extensive field work. More than 30,000 extension workers, county and home demonstration agents and emergency assistants cooperated in teaching the farmers their three "A's."

Until late August most of the educational matter was designed to induce the farmers to attend wheat meetings favorably disposed to the plan. These meetings were to be the climax of the campaign. At them, the entire story of the vanishing foreign market, of the necessity for controlled production and of the actual operation of the allotment program was to be taken up in detail, and all questions answered. It was hoped that each farmer would leave the meeting with a practical knowledge of the plan, a realization of its advantages to him personally and inspired by its potentialities.

About four-fifths of the wheat growers in the country have signed acreage reduction contracts. The immediate cash bonus was the reason for their signing on the dotted line. The principles underlying the plan have not been accepted generally. Nor is faith in the successful operation of the program common to most of the growers. There are exceptions, of course, for enlightened farmers exist, just as there are enlightened busines men, but the influence of the few wh see clearly the realities of the exist ing situation is slight. Even these fe are not united on ways to overcom present difficulties.

With the great majority of whea farmers it is the old story of lickin off the frosting. Long accustomed t thinking in terms of famine an plenty, in fighting "plutocratic con trol of prices," they found the Adjust ment Act too deeply colored with sup ply and demand and production con trol. Four months of intensive propa ganda accomplished little with a stiff necked people.

The heart of the wheat allotmen program is production control. "Th shadow of excess" was the theme mos persistently stressed in the propa ganda campaign. But farmers refuse to accept the idea of "overproduc tion." They would agree that our ex port market is gone and that it is un likely to be recovered for severa years. Some of them could see th need of a vague form of control in th distant future. The method usuall suggested was to prevent new land from being broken out in wheat. Bu almost without exception the farmer we spoke to could not "see surplu food with so much need." In thei opinion a better explanation of th "surplus" was underconsumption. Th root of all evil lay in faulty distribu tion, resulting in low prices, unem ployment and financial difficultie Not only did farmers refuse to adm the need for production control, bu they entertained no faith in it as cure-all. Unable to predict in advanc whether their next harvest woul reap a bumper crop or be lost i drought, they saw no sound base fo calculating how much of their acreag should be devoted to wheat. Their re

spect for nature's vagaries and distrust of their fellow-farmers was too great for them to believe that human efforts could curb nature over a period of years. The destructiveness of the emergency hog and cotton programs had not increased their confidence in government control.

Nor was the processing tax looked upon as a workable device. Farmers feared shifts in diet. Furthermore, could the processing tax equalize the difference between the price of the things that the farmer buys and the price of what he sells? Confronted with that question, without exception, farmers, schooled in the ways of taxpayers, shook their heads.

Price-fixing, not in terms of supply and demand, but to equalize the unfair advantages enjoyed by capitalists and industrialists and to check speculators was the favored solution. For justification of their demands farmers ridiculed the law of supply and demand, insisting that prices were fixed by monopolistic methods.

A hog-producer in Nebraska expressed the typical view: "The packers always buy the hogs we take to the market. One day they give us more, another less; but they'll always buy everything we bring in. Now those fellows, they don't set the price by figuring supply and demand. What they do is sit around a table each morning and decide 'we'll pay so much.' The government ought to fix prices instead of those packers."

The rise in prices as a result of the NRA is further evidence, to the farmer, of the artificial character of our price and financial structure. As the cost of the articles he purchases rises faster than the price of farm products, the farmer is quick to suspect that the NRA, in suspending the anti-trust laws, has freed the monopolists from all semblance of control. As an dote he becomes more insistent a monopoly price—fixed by the ernment—for his products.

The same preoccupation wit nopoly control is reflected in the lar demand for inflation. The explanation that "easy mone sought as relief from debts and gages is a bit too simple. Many ers who are not troubled by de there are some who fit that de tion—are equally persistent in demands for an "honest dollar "devaluing the gold content" c "free coinage of silver." One c main reasons farmers favor inf is because it is so consistentl strenuously opposed by industr and financiers. Like Grover land, it is loved for the enemies made.

The educational campaign, tec difficulties and administrative lems delayed the wheat pro Farmers who had been promis early July that allotment c would be sent out in September forced to wait an additional e eight weeks. In the meantime had been fluctuating violently. irregularity of the recovery an collapse of the speculative boo July had created an unhealthy a phere. The protests of little keepers against the NRA, labor t in the East, the steady "wolf! v of rising prices, drought and go ment propaganda stirred farm u The Agricultural Adjustment A stead of smoothing out the spots actually seemed to be ro the boat.

The method of handling the one basic commodity after anot had the effect of placing diff groups temporarily at a disadva The entire process bore too mu

semblance to plugging a boat that leaked like a sieve. Farmers were made the unwilling witnesses to an act, whose avowed purpose was to restore balance to agriculture and industry, actually producing disparity on all sides and seeking to check one disparity with another. The situation was all the more serious because none doubted the administration's sincerity. Farmers were confronted with the prospect of watching parity slip from their grasp for unaccountable reasons. The promise of parity, the recognition that it implied, was too valuable to be given up without a struggle. The farmers protested. They are voicing their resentment against twelve years of disparity. They are determined that their "charter of economic equality" shall not be lost without a struggle.

The farm revolt, at this writing, has already borne fruit in the President's gold-buying plan and in the preparation of price-fixing schemes by the Department of Agriculture. The danger to the New Deal raised by the farmers' protest, however, has not been diminished. The great obstacle to the smooth operation of the Agriculture Adjustment Act in past months has been the failure on the part of the farmers to cooperate whole-heartedly.

That failure was due chiefly to "incompatibility. The philosophy of the new deal is collectivistic. Farmers are actually more individualistic now than ever before. In meeting the depression they have turned back to d "we did in Ninety-three." (self-sufficiency has become the Farmers are raising more o own food and placing less r upon cash incomes. Simpler m of farming have taken the place specialized techniques of the N Twenties. Tractors are lying idl horses, mules and farmhands working on a barter basis, are in the fields. Social life has l decentralized.

The depression has not inclin farmer to forsake his tradition its of thought, his old ways of for something new. Rather turned the clock back in many houses. Farmers feel that one chief reasons for their sorry pl that they were too prone to f the city in the past. For the fu the American farm they are l not to collectivistic action but training of better farmers—bet cording to pioneer standards.

Farmers are thinking of troubles in habitual terms; the a tural administrators are steeped economics of a new day. Until th ferences are reconciled the half ed support of the farmer will the administration's efforts. the farmer and the governme eye to eye it is idle to issue wa against putting the cart befo horse. The real danger is in two horses pulling in opposite tions.

The Rearming of Germany

By Shepard Stone

[Dr. Stone, whose knowledge of Germany is based on several years' study in that and neighboring countries has just returned to America after revisiting them.]

EVERYWHERE the belief persists that Germany is preparing for war. What else, it is asked, can be the purpose of the Nazis' deliberate stirring up of nationalistic sentiment, of their numerous military demonstrations and of the intensity with which they are fomenting the martial spirit of the nation? It is not only the peoples of other countries, especially those bordering on Germany, that tremble at this new threat of war; among the statesmen of the great powers suspicion and anxiety have brought about definite changes of attitude as well as of policy.

That is why, on Sept. 23, Great Britain, France and the United States came to an understanding to oppose German rearmament, and why, on Oct. 6, Stanley Baldwin, on behalf of the British Government, dissipated all doubts regarding British support of France against the Nazi demands for increased military strength. The three major powers obviously believe that a rearmed Germany would provoke the nations that fear her designs to pile up more and more armaments and that the outcome would once again be war. That is why, also, these powers decided that some form of control over German armaments is necessary during a period of probation. Great Britain and the United States have most probably been made acquainted with the famous secret dossier which the French Government has threatened to publish as evidence of German military preparations.

The countries on Germany's borders whose existence depends on the integrity of the treaties signed in 1919, and who understand only too well the depth of German feeling against those treaties, are firmly convinced that only Germany's military weakness can guarantee the present system in Europe. Until recently these nations have seen no danger in Germany's armaments, but with the advent of the Nazi régime the question whether Germany is rearming has become one of life and death to them.

No authoritative material has been published on the German arms situation. Stringent laws in the Reich and the Nazi secret police prevent opponents of the government from making indiscreet disclosures. But even fanatic Nazis hesitate to assert that the official figures in the League of Nations Armaments Year Book constitute an exhaustive description of the German military system. Germany has indeed followed a course which most other countries would probably have taken.

According to the German Government, the Reich has faithfully observed the limitations imposed on it. The Treaty of Versailles allows Germany an army and navy with a personnel of not more than 100,000 officers and men, but no air force, either military or naval. The armed forces are under the Minister of National Defense, but without a general staff. The territory of the Reich is divided

into seven military areas corresponding to the seven infantry divisions. The army has command of nine fortresses, eight of which are dismantled. Only one, Koenigsberg, is authorized to have artillery (38 guns, including 16 anti-aircraft guns) with a limited amount of ammunition. The territory west of the Rhine and a zone, 31 miles wide, east of the river have been demilitarized. In that zone Germany is not permitted to have any fortifications, to keep armed forces, to hold military manoeuvres or to maintain material facilities for mobilization. The quantity of arms and munitions is prescribed by the treaty, and it is forbidden to establish other stocks, depots or reserves of munitions. Tanks, submarines and big guns are also prohibited. Warships for replacement purposes are limited to 10,000 tons.

Furthermore, the treaty abolished universal military service in Germany. All members of the armed forces must be volunteers and enlist for twelve years. Apart from the four army schools at Dresden, Hanover, Jueterbog and Munich, all military schools for officers and all military training of youths are prohibited, as is collaboration between the military authorities and the universities and schools. All educational institutions, societies of discharged soldiers, shooting and touring clubs and other associations of any kind, whatever the age of the members, must not concern themselves with military matters and are particularly forbidden to instruct or exercise any one in the profession or use of arms.

Impartial observers are agreed that Germany has not lived up to these drastic stipulations and that her military strength is already potentially far greater than is supposed. The objection of the German Government to control of its armaments is regarded by many as an indication of secret preparations which have been made behind the screen of official figures and statements. The official budget estimates for 1932-1933 provided for an expenditure of 678,200,000 marks ($161,547,240 at par) for the military and naval forces. This does not include appropriations which may have been concealed elsewhere in the budget, but in any case it is a large sum for such a small army. Expenditures on war material in 1931 amounted to £6,000,000 as against the £4,000,000 for the British Army which is 50 per cent larger. That amount was nearly 60 per cent of what was required in 1913 when the German Army was five times larger. Allowing for the purchasing value of money, German expenditure on war material per soldier amounted to at least three times as much as it did before the war. This is a curious fact when it is remembered that the present German Army does not possess or maintain such expensive weapons as tanks and heavy guns.

Although Chancellor Hitler has compared his Storm Troopers to harmless firemen, those who have seen these men going about their duties are frankly skeptical. It is true that they cannot be compared for military purposes with the professional soldiers of the Reichswehr who serve for twelve years; nevertheless their organization and activities violate Article 177 of the Versailles treaty. The whole system that includes the S. A. (Storm Troopers) and the S. S. (Leaders Escort Troops) is essentially military, and it is significant that these forces are distributed in seven areas corresponding to the seven territorial divisions of the

Reichswehr. In an interview published in the German newspapers in October, Captain Roehm, their commander, stated that they numbered 2,000,000. The smallest S. A. unit consists of about 175 men, and in the opinion of many observers the members of the Reichswehr are trained as officers so as to take command whenever necessary of these units. S. A. and S. S. men are instructed by officers in the Reichswehr, while many former officers of the German Imperial Army and the post-war Reichswehr are now in the S. A. and S. S. At present about 8,000 men every year complete their period of service in the Reichswehr and become available as additions to the Nazi forces.

The S. A. and S. S. are divided into motorcycle corps, sanitary corps, bicycle corps, sport-aviation corps and many other groups and divisions. They engage in weekly training in machine-gun shooting, rifle practice, tactics, marching and other military exercises. The great Hitler demonstrations in Nuremberg in September and in various parts of Germany throughout the Summer and early Autumn fulfilled military as well as political purposes. The formations and the marching, planned with an eye to the necessities of mobilization, revealed the organizing abilities of military experts. Since the Nazis have come into power, the military value of the S. A. and S. S. has continuously increased because of the added resources placed at their disposal. In case of war, Germany could probably put in the field within six weeks at least 1,000,000 men who have had a good measure of military discipline and training in military fundamentals.

At the beginning of Autumn, 257,000 men were employed in the Voluntary Labor Service. This "voluntary service" is rapidly being made obligatory. All male "Aryan" students entering German universities are to spend the first twenty-six weeks in labor camps; and non-students forty weeks. Apart from the social, economic and political motives, the purpose of the Voluntary Labor Service is to provide preparatory military training. The discipline is military, and military sports are part of the daily routine. In the future probably no one will be able to become a Storm Trooper without first having gone through the Labor Service. The intention of the government is to make this service eventually compulsory for all German males.

Captain Roehm, the commander of the S. A. and S. S., organized the S. A. at its inception in 1921 when it received secret support from the German War Ministry. Through him the threads have been spun which have knit Reichswehr and S. A. together. In 1928, he left Germany and helped organize the Bolivian Army. In October, 1930, he returned to resume command of the S. A. and today his place in the Nazi scheme of things is second in importance only to Hitler's. Captain Roehm and the generals at the head of the Reichswehr have undoubtedly laid their plans for combining their forces in case of need. The Nazi Party also has its Military-Political Bureau, under former officers of the German Army, with headquarters in both Munich and Berlin. On May 15, 1933, Colonel Friedrich Haselmayr, in charge of the Berlin headquarters, wrote: "Since the other powers have failed to disarm, Germany must finally begin to establish her own security independently." Since those words were written, it has become increasingly evident that Germany has continued with added mo-

mentum to build the framework of a huge military structure.

But men alone cannot carry on a war in this era of mechanization, and so we find that Germany believes herself forced to manufacture and store up immense quantities of weapons and other war material. The German people, who have long been foremost in the military arts, have been making every effort to keep step with developments in other countries, and since the World War German engineers and technicians have carried on their researches and experiments. Although Germany is prohibited from having a general staff, it is not unreasonable to surmise that since 1919 German generals have been meeting at social and other gatherings and discussing military plans, while special commissions of experts have been continuing their studies in the fields of ballistics, infantry, artillery and aeronautics. That all these activities have been coordinated is no less likely.

The seven years' experience of the Inter-Allied Military Control Commission in Germany after the war has shown that the full and precise control of a nation's armaments is impossible. The existence of fortifications or warships is easily detected, but what of the hundreds of plants that can manufacture chemicals, steel, machines, electrical apparatus and airplanes? Rifles, for example, can be produced by making the barrels in one plant in the Ruhr, the stocks in another in Saxony and assembling the parts in a third in Berlin. Yet, the accumulation of war material in violation of treaty stipulations has not been entirely carried on in secret. German Army orders during the Summer of 1933 announced, for example, a reorganization of the infantry under which each company would include nine light machine-gun sections instead of six. This overstepped treaty limits. And from published information it is known that the Rheinmetall Factory of Duesseldorf has been producing for foreign markets types of arms which Germany is legally debarred from manufacturing or using. Who knows how much of this production listed in the export statistics did not leave Germany?

In spite of the many opportunities which the diversified German industrial mechanism offers the Ministry of Defense, it is doubtful if the Reich has been secretly constructing submarines or warships forbidden to her, because of the difficulty of so doing. Nor is it probable that there are many large calibre cannon beyond those allowed to Germany. Even French diplomatic circles in Berlin are convinced that Germany has been unable to conceal such weapons.

Tanks, which Germany is forbidden to have, are also too large and cumbersome to hide. Nevertheless, foreign observers in Germany have noted that the production of caterpillar tractors for agricultural purposes has increased simultaneously with the making of armor plate by steel mills. At military manoeuvres caterpillar tractors have been manned by motor transport corps. Although Germany could probably put improvised tanks into the field, it is fairly certain that she could build large numbers of tanks, comparable to those of France and Great Britain, only in the full light of publicity.

Although the Treaty of Versailles attempted to destroy German power in the air, the development of German commercial aviation has given rise to skepticism about the success of the effort. Most German commercial planes are constructed so as to be

transformed into war planes without delay. For many planes only the addition of bomb racks and machine guns would be necessary. In 1929 Germany had about 750 civil airplanes, and that number has since been largely increased. The Deutsche Lufthansa, the great German commercial aviation company, is controlled by the government and State subsidies to aviation firms have been on a liberal scale. The high standard of German airplane production is known to the world through the names of Junkers, Dornier, Rohrbach and Heinckel.

Since General Goering has become Minister of Aviation every effort has been made to unify efforts in this field. He has given enormous support to "sport-aviation" and glider clubs, which have been coordinated under a single organization. After the supposed air raid over Berlin last Spring, when Communist pamphlets, which no one has ever seen, fell on the streets of the capital, the Siemens factory in Berlin received an order to build 150 airplanes. It is believed that similar orders have been placed with other firms during the past six months. To pilot these machines there are available the men trained in handling gliders, sport aviation and commercial planes.

Simultaneously with the growth of Germany's air forces, the whole nation is being prepared for air-attacks and aroused to the necessity of possessing airplanes. Placards posted all over Berlin command citizens to take part in the elaborate defense preparations which are being made in each house and district of the city and they are also urged to attend the weekly lectures that are being given on the subject. General Goering has gone about his work with great enthusiasm and a comprehensive knowledge of the psychological factors involved in teaching the people to become "air-minded." At the same time at military manoeuvres, anti-aircraft guns and anti-tank guns have been seen, complete in every detail, including the sights, except that they were fitted with wooden barrels, for which the real barrels could be easily substituted.

Although statements in French papers regarding German armaments must be accepted with great caution, the German Government made no denial when the *Journal* of Paris, on July 26, 1933, printed a partial list of German factories producing armaments. The list included the steel mills of the Dortmunder Union and the Deutsche Werke at Spandau (a suburb of Berlin), producers of munitions; the Linke-Hoffmann railroad coach factory at Breslau and the Daimler-Benz automobile factory at Offenbach, makers of tanks; the Polte iron foundry at Magdeburg and the Deutsche Waffen-und-Munitions-fabrik of Berlin and Karlsruhe, manufacturers of revolvers, rifles and other small arms; and Simson's rifle factory at Suhl in Thuringia, makers of cannon.

Treaty stipulations have been unable to destroy German genius in the chemical industries. Today Germany is the world's greatest producer of chemicals and most factories, including the world-famous I. G. Farbenindustrie, would find no difficulty in immediately directing their output to war purposes. Gases and chemicals are light and are compactly stored. Their concealment offers none of the difficulties of warships and tanks. According to the *Neue Weltbuehne,* a liberal German weekly conducted by exiles in Prague, the Von Heyden chemical factory in Dresden, which

makes saccharin and inorganic mucilage, can also produce a light invisible gas hitherto unknown; the Billwarder establishment in Hamburg can without delay turn from making chromoxyd to deadly arsenic gases, and the Schering-Kahlbaum factory in Berlin, now managed by Gregor Strasser, one of Hitler's earliest associates, can make a poison gas on a chlorine, boron and cyanide base. The recent invitation to the foreign correspondents in Berlin to visit this factory and see for themselves that it was engaged in peaceful production does not prove that the factory could not immediately make poisonous gases. Again, the Stolzenberg firm of Hamburg has published advertisements in various Spanish and Spanish-American military journals revealing the fact that it specializes in chemical warfare.

The potentialities of German industry for war purposes have been emphasized by Chancellor Hitler's appointment of Fritz Thyssen, the steel and coal magnate, as supreme authority over the industrial system of Western Germany, the centre of German productive capacity. Werner Daitz, one of the chief Nazi economic experts, in conversation with the present writer during the Summer, said that German economic policy was dictated by the desire to attain economic self-sufficiency in case of war, and that all other considerations were secondary. German agriculture is being rapidly put into a position to supply the basic needs of the Reich regardless of foreign imports even though this advantage involves the raising of prices for the domestic consumers far above the world level.

In line with this idea of economic self-sufficiency and military preparedness, the great increase in 1933 as compared with 1932 in the importation of ores, copper, iron and scrap iron from Belgium, Holland and Sweden becomes illuminating. German imports of iron rose from 35,409 tons in the first quarter of 1932 to 208,802 tons in the corresponding period of 1933.

The production of war material for German use is not confined to the Reich. Factories outside Germany are alleged to be supplying Germany with forbidden armaments or producing materials and for the time being storing them away until needed. Among these firms are the Dornier branch factories in Italy and Switzerland, factories in Sweden connected with Krupp, the Siderius Corporation and the Dutch Cartridge and Rifle Works in Holland and the Solothurn arms factory in Switzerland. Russia has also been accused of allowing Germans to manufacture arms within her borders, but the latest developments in German-Russian relations make it unlikely that the Soviet authorities will continue the arrangement.

Over and beyond the physical and material aspects of German rearmament, there is the all-important psychological factor. The occasional speeches in which Chancellor Hitler and his associates protest Germany's love for peace cannot conceal the fact that every effort is being directed toward rousing the martial spirit of the nation. Millions of young Germans, from six years up, are being inculcated with the idea of heroically living and dying for the glory of the Fatherland. Organized in the Hitler Youth, they begin to march and wear uniforms before their unformed minds are aware of what it all means. Schools spread propaganda and young Germany in its spare hours has duties to fulfill toward the State, including training in elementary forms of hand-

grenade throwing and shooting. Although the famous little book by Professor Banse of the Brunswick Technical University for teachers and children on military science (*Wehrwissenschaft*) has been recently prohibited as a result of foreign criticism, the measures which he advocates are being taught everywhere in Germany. In the introduction to his book, he declares: "For nobody should be in doubt that war stands between our prevailing need and coming fortune" and he suggests for children of twelve years upward "two hours weekly devoted to exercises, field work, war games and later small calibre musketry in which the feeling of youth for the heroic and for robber and soldier games would be applied to the service of the Fatherland." Professors of military science have been appointed in all German universities. The catalogue of the University of Berlin announces that seven lectures on military science will be delivered during the current Winter semester.

Robust and martial expression is cultivated in every direction. German newspapers and magazines have a predilection for military metaphors and similes. The weekly news reels shown in the motion-picture theatres are almost exclusively devoted to S. A., S. S. and Reichswehr parades, the American fleet at target practice and Herr Hitler and Dr. Goebbels. In Berlin there is a parade practically every day. The uniform as well as the swastika has become the symbol of present-day Germany.

In a speech to the industrialists of Western Germany on Jan. 27, 1932, a year before he became Chancellor, Hitler said: "It is entirely inconsequential if Germany possesses an army of 100,000 or 200,000 or 300,000 men; important alone is the fact if Germany possesses 8,000,000 reserves which * * * it can transfer into the army." And in the original of his book, *Mein Kampf* ("My Battle") Hitler formulated his "political testament" in the following words: "Never tolerate the rise of two Continental powers in Europe. Regard every attempt to organize a second military power on German frontier * * * as an attack on Germany and see therein not only the right, but also the duty, to prevent the rise of such a State with all means, even the application of military force; accordingly, if such a State already exists, it must be smashed to pieces. * * * Never forget that the most sacred right in this world is the right to possess soil which one may cultivate one's self and that the most sacred sacrifice is the blood which one spills for that soil."

Today the German Government does not want war. It is not prepared. But the "testament" of the Leader is not reassuring. Germany, especially young Germany, is marching. The question remains—Where?

The Nazi Threat to Eastern Europe

By ROBERT MACHRAY

[Mr. Machray has for many years been a close student and observer of affairs in the Baltic nations and countries of Eastern Europe. His *Poland 1914-1931* was published recently.]

CHANCELLOR HITLER'S program of political, racial and economic imperialism turns all the frontiers of Germany into danger zones for her neighbors, but it is still the "Eastern frontiers" that constitute Europe's greatest menace, one that may quickly become acute. It may be urged that the situation in the east, meaning thereby the antagonism between Germany and Poland, has existed for some years, and that, as nothing much has happened, it is an exaggeration to speak of danger being more immediate in that quarter than elsewhere. But today the controversy over the eastern frontiers has been enlarged by the inclusion of Czechoslovakia which is threatened not only indirectly through Nazi ambitions in Austria, but directly through Pan-German propaganda. The same propaganda also reaches out to cover the Baltic States, and already has had the most marked influence on the policy of Soviet Russia. No longer is the situation what it was even a year ago.

It may be well to clear the way for the main theme of this article by emphasizing the changed attitude of Soviet Russia toward Germany. During 1932 the Moscow Government signed a series of non-aggression treaties with the Baltic States and Poland. The general explanation for the accommodating and conciliatory terms offered by the Soviet Union, in contrast to the terms of other non-aggression treaties proposed earlier, was the pressure of Japanese expansion in Eastern Asia. Another sound reason was to be found in the conditions prevailing in great areas of Russia because of the incomplete success of the Five-Year Plan. These reasons held good throughout the Winter of 1932-1933, but they do not explain the hot haste with which the Soviet Government concluded a second series of non-aggression treaties during the past Summer not only with the border States but with others, such as Czechoslovakia, which are not immediate neighbors of the Union. It was noteworthy, too, that the Soviet Union relinquished its long-asserted claim to Bessarabia by signing a non-aggression treaty with Rumania.

The real explanation is not far to seek. Hitler and his gospel of German expansion, notably by "colonization," as expounded by some of his ablest lieutenants, had induced the Soviet Union to reorient its policy hurriedly. Fear of German aggression had caused the casting aside of the Rapallo and Berlin treaties, which had created such great concern in the past among some of the nations, especially Poland.

In brief, the Soviet Union lined up with the other Eastern European States against Germany. Such a sweeping reversal of policy was startling, since it meant nothing less than an entire change in the high politics of Europe. In the December, 1932, issue of this magazine there was published an article entitled "Eu-

rope's Anti-Soviet Barrier" which was the outcome of a tour I had made of the Eastern Baltic and Poland two or three months previously. It showed that this barrier was formed by the border States, from the Baltic to the Black Sea —Finland, Estonia, Latvia, Poland and Rumania, not indeed united in a defensive alliance, but animated by a common understanding that risk was reduced by wary watching. There had always been the possibility of a combination of the Soviet Union and Germany against Poland. Now with this profound alteration in Soviet policy that likelihood disappeared, and the "Anti-Soviet barrier" is down. The initiative came from Russia, was welcomed by the others, and, under the menace of Hitlerism, was acted on without delay.



The Frontiers of Eastern Europe.

So much was plain. What were the reactions to Hitlerism of the States actually forming the frontier with Germany on the east? What was the outlook? The desire to probe more deeply into this and other relevant matters, such as the Four-Power Pact, led me to undertake a tour of Central Europe in the late Summer and Autumn. It began in the Baltic with Danzig, carried me south to the Danube, and brought me back again, but by a different route, to the Baltic. A long stay in Germany was not necessary; any one who spends an hour in Berlin or any other large German centre can see what Hitlerism is and what it connotes. There is absolutely no attempt even to conceal the German militaristic ideals and aims and the desire for their fulfillment in the nearest possible future. There was no concealment even in Danzig. Though in international law still a Free City under the League of Nations, it is now a Nazi stronghold. My tour convinced me of one thing at least—that the question of the Eastern frontiers is more acute than ever before. Soviet action completely confirms that impression.

Till recently the term "Eastern frontiers" was used to describe the frontier between Germany and Poland which extended from the Baltic, on the west side of the Corridor, southward to the point where Polish Silesia adjoins Czechoslovak Silesia on the summit of the Western Beskid range of the Carpathians. The line of frontier is, in round figures, about 800 miles long, and for nearly its entire extent is what soldiers term "open." In addition the frontiers of East Prussia, which are about 375 miles long, cannot be left out of military estimates of the general position. On the Polish side the frontier provinces were, except for a small portion of

former Austrian Silesia, in German possession in 1918. For some years German demands, particularly through propaganda, concentrated, as everybody knows, on the reannexation of the Polish province Pomorze—the Corridor. Hitlerism, not content with that, has revived all the old Pan-German claims to dominion not only over what was German Poland but over the Baltic too.

Pan-Germanism now also threatens Czechoslovakia, rather more than one-fifth of whose total population of 15,-000,000 is German by race, though born in the country. Most of them are found immediately inside the frontiers on the northwest, west and southwest adjoining Prussia, Saxony and Bavaria. The Czechoslovak provinces, except for a portion of Silesia that was German, formed part of the Austrian Empire till late in 1918. This line of frontier is nearly 800 miles long and, while not exactly "open," could not be easily defended. Certainly its defense would scarcely be assisted by the Germans in Czechoslovakia, as many of them, especially in certain districts, are known to sympathize with Hitler.

At this writing the Nazis' plans for the annexation of Austria have failed, but should they ultimately succeed the result would be the extension of the German-Czechoslovak frontier by more than 300 miles. Further, the hostility of Hungary to Czechoslovakia cannot be considered negligible in this connection. The remaining frontiers of Czechoslovakia march with those of Poland and Rumania, but Rumania is her ally and her relations with Poland tend to become more and more friendly.

No city or town of any considerable size stands on or very close to the long line of the Eastern frontiers, but not far from the top are two ports which may be said to cast their shadow over it. One is Gdynia, practically brand-new, and the other is Danzig, with hundreds of years of history behind it. Gdynia represents an immense, sustained and highly successful effort on the part of Poland to construct, equip and operate a great port on her short strip of sea coast. Today the flags of most maritime nations may be seen in the harbor, around which has sprung up, with American rapidity, a town of 40,000 inhabitants who, of course, are almost exclusively Polish. Some twelve miles east lies the beautiful old Hanseatic city of Danzig, with its fine position at the mouth of the Vistula and its long tradition of trade and commerce.

The makers of the Treaty of Versailles were inspired by the idea that Danzig would revert to the independent status it had held, even during the Polish protectorate, throughout the Middle Ages and up to the time when, much against its will, it was "absorbed" by Prussia. Unfortunately for their plans, it had become so thoroughly Germanized that in 1919 there was no shadow of doubt of its being German. In 1933, with the Hitlerites in control, Danzig is passionately German. Outside it Germans as passionately demand its return to Germany in full sovereignty. They identify it with the whole question of the Corridor, which, in fact, they call the *Danziger Korridor.*

Politics apart, the existence of Danzig, like that of Gdynia, depends on Polish trade and commerce. Of old Danzig was a great port simply because it was the port of Poland; its decline after the partitions resulted from the Prussian preference for Koenigsberg and Stettin. After the resurrection of the Polish State, the

city again became prominent as a port, and for a few years the volume of its shipping was four times larger than it had been immediately before the World War. For all that, the Danzigers did their utmost to antagonize the Poles—which was one of the reasons for the building of Gdynia.

The Danzigers scoffed and sneered at that undertaking, and their bitterness of soul may be imagined now when the shipping of Gdynia surpasses their own. Two or three years ago attempts were made to close Gdynia by appealing to Geneva and The Hague on the grounds that Danzig was meant by the Versailles treaty to be the sole port of Poland; but this move failed. A compromise, however, was reached last August when Poland agreed to use Danzig, despite its Hitlerite complexion, as a port on more or less equal terms with Gdynia.

Such a position is not in the least enigmatic in so far as Poland is concerned, for Polish policy is and must be absolutely pacific. The sensational journalists who pictured Marshal Pilsudski as a hardened, blood-stained man of war, ready and eager to launch his legions on Danzig, East Prussia or the Reich itself from sheer lust of conquest, or because he was spoiling for a fight, were utterly, ludicrously mistaken. Count Skrzynski, twice Foreign Minister and once Prime Minister of the republic, summed up Polish policy when he said in his *Poland and Peace* that, owing to the "particularly unfavorable geographical situation" of his country, the double obligation was imposed on the State of maintaining an "absolutely pacific policy," and at the same time an "army as strong as possible"—in short, peace and the means of defending it. For defense Poland maintains an army of over 250,000 men, now admittedly one of the most formidable in Europe. She bears its cost, which entails immense sacrifices in other directions, not for the sake of prestige or as a threat to her neighbors, but because she believes it necessary for her own protection. Poland had two potential, indeed historical, enemies—Russia and Germany. With no fear now of Russian aggression she turns her whole attention to Germany.

Colonel Beck, the Polish Foreign Minister and a strong supporter of Pilsudski, has epitomized the present policy of his country toward Germany in the words, "As Germany treats Poland, so Poland will treat her." After the World War Germany deliberately impeded Polish recovery; she still does so, for in her eyes the very existence of Poland remains a capital crime. Poland more than once made friendly overtures to Germany, but without eliciting the slightest response; she is not going to repeat the attempt. On the other hand, because of her definitely pacific, though not pacifist, policy, Poland is ready to welcome even any friendly move that Germany may make or inspire. Some recent agreements come under the first head, the new Danzig conventions under the second, for the Nazis of Danzig undoubtedly receive their orders from Berlin. While thus prepared to reciprocate any German action that makes for less unpleasant relations, Poland suffers from no illusions as to the realities that underlie German policy.

Poland believes that Germany is rearming and is probably better prepared for war than is generally thought possible. Knowing that there is neither love of nor desire for peace in the Third Reich, Poland believes that Hitler is merely playing for time till the hour arrives when Germany is ready to strike. That time may

come soon—unexpectedly and without any precise warning of the moment or of the point selected for the attack. Poland suspects that the threats to Denmark, Sweden and Switzerland, though thoroughly symptomatic of Hitlerism, are just so many feints to conceal Germany's deeply premeditated designs on Polish territory.

A year ago, because of the instability of French politics, Poland did not feel very sure of the value of her alliance with France. She intensely disliked the Four-Power Pact even in its final form, and has not accepted it. Her hostility to it was based on its third clause, which deals with disarmament. Her attitude was—and is—that on the vital matter of her army she would not, and will not, submit to dictation by the four powers. The opposition of the Little Entente to the original pact was founded on the second clause, providing for treaty revision; when the clause was sufficiently amended it was altered beyond recognition — that opposition was withdrawn. Poland, of course, did not favor treaty revision either, but the thing that decided her was the disarmament clause. In the covering letters sent by the French Foreign Office to Poland and the Little Entente emphasis was laid on the second clause and nothing was said of the third, a fact which Poland carefully noted and resented. But the Nazi menace has opened the eyes of the French to the value of the Polish alliance, and it is now France that is courting Poland rather than Poland that is courting France. Another thing that has encouraged the Poles is that there has been a reversal in British public opinion, which was for some years much more sympathetic toward the Germans than toward the Poles.

When we compare the situation of Poland with that of Czechoslovakia we find that while the number of Germans in Poland has been greatly reduced since the World War, the number of Germans in Czechoslovakia, instead of falling off, has slightly increased. After the armistice, and particularly in 1919, there was an exodus of Germans from Poland. According to the latest figures there are only 700,000 Germans now in Poland out of a total population of about 33,000,000.

In Czechoslovakia it is different. Her founders insisted that the new State was entitled to the frontiers of the "historical lands"—Bohemia, Moravia and Silesia—of which it was mainly composed. This meant retaining what had been the Austrian frontier in that region and the inclusion of a large German population. According to a census in 1921, this element numbered 3,123,568, as against 8,760,937 Czechoslovaks. A census taken in 1930, the results of which are not yet completely available, shows that in Bohemia there are 4,713,366 Czechoslovaks and 2,270,943 Germans, compared with 4,382,788 Czechoslovaks and 2,173,239 Germans in 1921.

From the outset the German element constituted a grave problem for Czechoslovakia. The general position of her minorities was regulated by the Treaty of St. Germain and also by the Czechoslovak Constitution, which guarantees equality of rights to all citizens, irrespective of nationality, language or religion. A democratic franchise for both Parliament and local government bodies secures to the minorities, on the principle of proportional representation, such a measure of political influence in the State, its provinces and districts as corresponds with their numerical strength. The Czechoslovak school system makes full provision for all German children. Though only about 5 per

cent of the population of Prague, the capital, is German, that city is the political and economic centre of the Germans in Czechoslovakia. There they have a university, a college of technology, a theatre and other institutions.

After a few years of unavoidable friction the Czechoslovak State steadily pursued the policy of conciliating, though not of pampering, its German population. This policy was so far successful that one of the more important German political groups threw in its lot with the government and for the last seven years there have been two German Ministers in the Cabinet; the other German groups, however, have remained in opposition.

Toward Germany the policy of the republic, whose foreign affairs have been continuously directed by Dr. Benes, sought to establish friendly relations with the Reich. These, if not precisely cordial, were at least "correct" till the Spring of 1931, when they were disturbed by the project for an Austro-German Customs Union, which Czechoslovakia considered as foreshadowing the political union of Austria with Germany. She had long been determined to prevent such a development; it was one of the reasons for the formation of the Little Entente, several of whose conferences subsequently opposed *Anschluss*. The customs union project failed at The Hague, but succeeded in straining Czechoslovak relations with Germany. In 1932 political events in Germany and the growth of the militaristic spirit which they disclosed did nothing to improve the situation.

In general the foreign policy of Czechoslovakia has been oriented toward France for the good reason that France has done more for the new nation than any other State, but, as Dr. Benes has often taken pains to make clear, there is no truth in the charge that this involves "vassalage." Before the Four-Power Pact and the triumph of Hitler a special conference of the Little Entente in December, 1932, discussed the agreement of the five great powers to concede equal rights in armaments to Germany—contingent, however, on an "organization of peace which would insure security"—and the then menacing attitude of Italy to Yugoslavia, coupled with the sudden and violent renewal of revisionist propaganda in Central Europe in consequence of the fresh success of Germany. The result of the conference was a tightening of the whole fabric of the Little Entente by a closer political and economic alliance and the creation of a Permanent Council and Secretariat.

Though Czechoslovakia does not think much of the Four-Power Pact, Hitler's advent to power and what has since occurred in Germany have given her infinitely more concern. She doubts whether Austria, unless supported by more than diplomatic efforts, can resist Hitlerism. In Prague, as in Warsaw, it is stated, not as guesswork, but as fact, that Germany is rearming. Little confidence has ever been placed on the Disarmament Conference; indeed, the Czechoslovaks have been completely disillusioned in regard to the efficacy of international conferences. For once agreeing with Premier Mussolini, they think the age of conferences is past. They have lost faith even in the League of Nations. Yet the conference method and the League used to be dear to them. It is not Mussolini but Hitler who has changed their point of view.

Pan-Germanism is an old enemy of the Czechoslovaks. During the World War Masaryk published an account of it in a periodical called *The New Europe,* and in a book bearing the same

title which appeared in 1918 he said that he had warned his countrymen by articles and lectures of the danger threatening them from it. The danger is upon them again. Putting aside conferences as vain and the League as futile in the crisis precipitated by Hitlerism, how are they to meet it? How are they to guard that long frontier of theirs? They have a well-trained army of 140,000 men and probably could count on substantial assistance from the Yugoslav and Rumanian Armies, but they would undoubtedly look to France for the greatest possible help, and Poland would be by her side.

As I conclude this article, much the larger part of which is the outcome of my recent visit to Central Europe, I note a press statement that General Weygand, chief of the French General Staff, has gone to Prague to discuss the subject of military collaboration between the French and the Czechoslovak General Staffs. Also, I see a message from an English correspondent in Prague that the German Nazi party and the German National party in Czechoslovakia, which together were represented in the National Assembly by eighteen Deputies and Senators, have been officially prohibited, that the party funds are being seized and Nazi members have been arrested.

Thus it is that the Nazi's aggressive attitude makes the eastern frontiers of Germany the danger zones which the foreign offices of Europe are watching with anxious and sleepless eyes. Yet one would think that the immensely strong combination which is presented by the forces of Poland and the Little Entente, backed up by France, ought to give pause to Germany. But will it?

Spain's Venture in Democracy

By ANITA BRENNER

[The author of the following article has spent a considerable period in the Spanish Republic, observing the experiment at close range.]

THE key date in the history of modern Spain is April 14, 1931, when the second Spanish Republic was proclaimed. And the most significant date after that is Sept. 13, 1933, when the Premiership of Manuel Azaña and the Republican-Socialist alliance came to an end. The two dates mark the beginning and end of an experiment in idealistic democracy. What happened on Sept. 13 was a rude answer to Azaña's famous phrase, "The republic has room for us all," for in his last speech to the Cortes, after two and a half years of desperate struggle to implant his own fervent beliefs in the heart of every Spaniard, he confessed wearily: "It is a hard thing to get Spain to accept democracy." And so the Azaña Republican-Socialist government departed in an odor of failure and with the sense of having been betrayed, leaving the country in the hands of a scared President and a shaky, frivolous Cabinet, to face the next inevitable cycle—the clash between the forces of revolution and reaction.

Yet what happened on Sept. 13, 1933, was inevitably determined two and a half years before, when delighted democrats all over the world congratulated one another and Spain on the spectacle of a revolution without a revolution, a republic won at the polls. Spain voted almost unanimously against a monarchy which had hardly a friend left, and whose enemies, ranging from nihilists to constitutional monarchists who considered that Alfonso had violated his oath, formed a compact alliance. Colonels conspired with Communists, respectable physicians and lawyers whispered with ragged anarchists, artists and writers agitated in jail, and a considerable portion of the clergy, too, actively sympathized with the movement.

The revolutionary committee which directed the fall of the monarchy was composed, therefore, of very dissimilar men, who had in common only one purpose and one idea—"Down with the King!" Individually each representative had his own interpretation of what Spain voted for when it voted against Alfonso, and, more emphatically, his own notion of what was best and necessary for the welfare of his country.

Alliance through compromise marked the first period of the republic—from its proclamation to the end of the Constituent Cortes. The conservative republicans, or liberal monarchists, stipulated that the royal family be allowed to depart unmolested, and asked protection for life and property. The liberal republicans asked for a secular, civilian State, parliamentary reform, justice, and order—and no radicalism. The Left republicans wanted to transform Spain completely but by lawful means. The Socialists, postponing the seizure of power, committed themselves to restraining the masses on condition that the government itself guaranteed steady, revolutionary advances and sweeping labor reforms. The Catalans promised not

to secede if they were granted the status of a free State and control of their own budget, a condition that hurt the feelings and interests of other republicans. The result was a government that made its début applauded by the majority of the population, but that in the end pleased nobody.

In the combination the Socialists were the only well-organized, thoroughly disciplined and thoroughly democratic party. Ten or fifteen other parties were improvised groups around a man rather than a program and composed of members of the Cortes who felt themselves free to change from party to party for personal or other reasons, apparently without much reference to the wishes of their remote constituents. Thus the government became a perpetual problem of formulas for coalitions. The ubiquitous phrase in political circles was the old Spanish proverb, "To govern is to compromise." Every step that the Constituent Cortes took away from tradition and toward reform brought the danger of a crisis, and each crisis that was solved or avoided introduced new stipulations into the combination, produced stresses and strains that increased the confusion in all the parties and finally made the parliamentary machinery so complicated that it was rarely able to function.

Two years after the republic came into being the government that proclaimed it had only one solid support—the Socialist party, which found itself in the paradoxical position of "trying to make a republic without republicans," as one of its leaders said. Meanwhile, all the anti-government forces, from anarchists to Jesuits, had rallied around the opposition, created from within the republican camp by Alejandro Lerroux.

The Spanish Parliament, just before the end of Azaña's Socialist-Republican coalition, was a strangely unreal spectacle. Ministers and Deputies rose and spoke and retired always as if acting a part before an audience composed of Parliament and press only. Most of the Deputies stayed away from Parliament altogether. The government was being undermined behind closed doors, in board rooms and editorial offices, and the rest of the country looked where the finger of the press pointed and said, "Down with the Socialists!" which was translated within the Socialist party itself into "No more cooperation with the bourgeoisie."

Yet the Azaña Socialist-Republican Cabinet was still supported by a parliamentary majority when it resigned, while the short-lived Lerroux Cabinet, which took its place, was so dubious of support that it postponed appearing in the Cortes for three weeks, and made it generally understood that its chief object was a dissolution and new municipal and parliamentary elections. The prospect was hailed with rejoicing in the upper levels of society, especially among the big business men, and with hostility by the masses, who, though unfriendly to the Azaña combination, rioted when the Lerroux Cabinet was announced. To those who rejoiced, Lerroux meant revision and perhaps cancellation of the new labor laws, paralysis of land and church reform, carefully supervised elections and after that, "a strong hand and no more of this proletarian nonsense." To labor it meant the immediate threat of fascism. To Azaña it was the end of the republican alliance and his ideal of harmonious, cooperative democracy.

Superficially the failure of this experiment of Spain's in democracy can be explained in terms of the Spanish temperament, which every Spaniard says is individualistic and anarchist at bottom. But a better explanation

can be found in the contradictions between theory and reality evident throughout the whole period of the Constitutional Cortes, and finally in the curiously undemocratic spectacle of a government which fell in spite of a majority and another which rose without one, both at variance with the feeling of the country. The Azaña idea, "free play of democracy," was supposed to become a reality on the basis of bargains and pacts. The corollary to the Azaña program, "politics based on disciplined party decisions," must take shape with one such party and a number of shifting groups and outstanding personalities.

Believing that a patriotic and incorruptible Parliament functioning in full view of the entire country was the instrument by which to transform and govern Spain, Azaña directed all his efforts toward that end. But, while everybody unquestionably wanted a transformed Spain, only a small minority of intellectuals understood and believed in Azaña's ideal, and so the bitter social struggle that precipitated the republic went on with increasing violence in every city, town and village, so that strikes, riots, uprisings, bombings and fires were familiar daily items of news and the jails were packed with political prisoners. Parliament lost its contact with the people as nine-tenths of its energy was expended on the elaboration of a Constitution and a mass of legislative reforms. Meanwhile, the country was governed with emergency laws and decrees, such as the Law of Defense of the Republic, which virtually suspended the Constitution and postponed, until the day when all the laws should be perfected, the actual transformation of Spain.

But Spain was in no position to permit such a delay. From the very moment on April 15, 1931, when the Provisional Government took charge, it had to face six grave problems, the six that destroyed Alfonso. These problems—public debt, unemployment, land reform, Catalonia, the army and the church—were at once so urgent, so interconnected and so bound up with the machinery of government that no one of them could be touched without disturbance to the whole ailing organism of the nation.

First of all there was the enormous debt piled up in the prosperous days of the Primo de Rivera dictatorship, when the easy money and easy credit of the Nineteen Twenties gorged the National Treasury, made fortunes for construction, telephone and other concessionaires, and left a burden so great that the service on the national debt became double the amount of the next largest item, public works. The Azaña government could do little in regard to the debt beyond avoiding an increase and giving the country an honest budget. Even the enemies of the Azaña régime said that it was the most honest Spain could remember. And it is well known that this surprising scrupulousness in questions of finance—and concessions, especially—was one reason why it was unpopular. For example, when Azaña took over the Ministry of War, he discovered that many journalists were budgeted there under the official heading of "horses." Red-penciling the fodder for these beasts meant a ceaseless campaign against him in most of the Madrid newspapers, and this campaign was the factor that eventually encompassed his downfall.

That Spain, which has been called "a pre-eminently agricultural country," should have nearly a million unemployed, is a mystery only on the surface. She has suffered particularly from the universal desire among the nations to become self-sufficient.

France used to take most of her exportable wine, reflavoring and relabeling it as Sauterne, Burgundy and so forth. France was now getting this extra wine from the newly developed vineyards in her African colonies. Olives and olive oil, exported largely to South America, were being paid for in "blockaded" funds, which amounted to a system of barter. Fresh fruit and vegetables, which used to go to England and France, encountered high tariff walls.

Industrial unemployment, too, was a reflection of adverse world conditions. Not even Lerroux could blame the Socialists for the deserted foundry at Sagunto, which was started during the war, nor for the bankrupt mines in the Pyrenees and on the Atlantic coast, nor for the ghostly shipyards at Cadiz and Cartagena. The Barcelona textile industry was mortally sick because it could not compete with the Japanese.

These explanations of Spain's unemployment, however, did not differ greatly from those offered in other countries. Yet there was another, and deeper, reason peculiar to Spain—the disastrous land system in Andalusia, Estremadura and Castile. It resulted in a ceaseless stream of emigrants from the country, even in times of prosperity, and there was a steady return of "invisible wealth" from these citizens overseas. When immigration in America was halted, when remittances from emigrants dwindled, and when large numbers of emigrants fled back home from Cuban, Mexican, Argentinian and American poverty, the close relationship between unemployment and the land question became too obvious to be ignored. In Andalusia, Estremadura and Castile enormous estates were cultivated on the theory that it was better to get a small profit on practically no outlay than to spend more on labor, machinery and improvements and get proportionately less. A landowner who had enough income from several thousand acres to pay for his horses, his bets, his women and his trips to Madrid and Paris did not worry if half his estate lay fallow or if good farm land were used for pasture. This system kept many thousands of peasants at the lowest level of misery and produced that constant stream of emigrants.

The solution of this vast problem was naturally difficult. The Constitution "nationalized" the soil. Two years later, when the Azaña Cabinet fell, the Cortes had just finished discussing the last of the new land laws. Actually the only step taken toward reform was the confiscation of the lands of all the grandees and of all the landowners involved in the monarchist uprising led by General Sanjurjo in August, 1932. These estates were held for survey, and distribution began only a month before Azaña resigned.

Since Catalonia was the backbone of the revolution, almost the first decision taken by the new Cortes was to confer the status of a free State upon Catalonia. But this constitutional change was to take effect gradually, and though the decision solved the immediate political problem, Catalonia did not obtain all the machinery of self-government allowed by the Constitution. The three keys to control—budget, police and education—remained in the hands of the National Government. Concessions were made a little at a time in return for support of the Cabinet.

The reform of the army, probably the most lastingly significant of Azaña's achievements, was simpler and was brought about without the Cortes. Under de Rivera the army had

become a topheavy organism which enjoyed immunity from all civil duties and responsibilities. There was a General for every eighteen soldiers. Whoever criticized the army or any of its members was subject to court-martial. Politically the army was supreme; even the King obeyed General de Rivera. In his quest for a civilian government Premier Azaña quietly retired the military oligarchy on full pay, thereby saving money on uniforms and other expenses, and reorganized the army by the simple method of allowing the rank and file, irrespective of age, to advance by means of examinations. The officers' extra-official privileges were canceled by decree. Spain thus found herself with an army that might perhaps be useful for war but that could hardly be used as a unit for political movements. The outlook of the rank and file approximated that of civilians of their own level, and was alien to the ambitions of their officers. A successful *coup d'état* based on the army became, thanks to Azaña, improbable, perhaps impossible.

Under the monarchy the church had been almost as powerful politically as the army. Together with the Jesuits it controlled the finance and much of the industry, commerce and agriculture of Spain. When the Cortes took the far-reaching step of expropriating church property, confiscating that of the Jesuits and dissolving the order, a prolonged parliamentary crisis was initiated that ended only on Sept. 13, 1933. Though the reform was made almost entirely on paper, it split the republican alliance, sowed enmity between Azaña and President Alcalá Zamora and strengthened the overwhelmingly hostile anti-Azaña campaign in the press. Of an estimated 800,000,000 pesetas ($155,000,000 at par) of property belonging to the Jesuits, the government took less than a quarter. The other laws were to go into effect on Oct. 1, 1933. Though none of the measures adopted to meet the church problem in the Constitution as well as in the new laws could be called democratic in the American sense, they could not, on the other hand, be labeled revolutionary.

The revolutionary intent of the Constitutional Cortes was wrecked on the two rocks of church and land. The process was this: First, Parliament determined to effect reforms; second, opposition within Parliament prolonged discussion and postponed action, while the press, almost entirely hostile, cried that the national economy was being ruined and that Azaña and the Socialists were to blame; third, the struggle in the Cortes was translated into a feeling of insecurity among the landlords, who thereupon hoarded, refrained from undertaking any but urgent labor, and often even allowed the land to remain fallow; which in turn increased unemployment, aggravated the crisis, caused revolt, strikes, destruction; next, the government in defense used the police and the Civil Guard, jail and repression. Ultimately, popular feeling turned against Azaña and the Socialists.

The Constitution and the legislation enacted by the Cortes gave expression to the self-contradictory theory of "revolution through democracy" of the Azaña Socialist-Republican coalition. There was scarcely a law that could not be canceled by another. The Constitution guaranteed every one "all the conditions of a dignified life," but the law on vagrants and undesirables allowed any judge to jail any citizen who could not prove he had a lawful source of income. The Constitution decreed ample liberty of press, speech

and assembly, but the law of public order allowed all these privileges to be suspended "at the signal of warning." By the simple expedient of enforcing one law and forgetting another, almost any kind of régime was possible. Thus no one in Spain was pleased with the results of its somewhat quixotic excursion into democracy. By September, 1933, no one was cheerful any more. People took sides grimly, and the new government cautiously began attempting to disarm labor, which was well provided with shotguns, left over from April, 1931.

Spain's experiment in democracy was actually an attempt to answer the question, "Can a country be reformed radically or revolutionized by means of a normally functioning democratic Parliament?" History said No, but Spain attempted the impossible. In reality, therefore, the underlying contradiction that foreordained all the other contradictions of the Azaña period was that between revolution and democracy, and this led inevitably to a deadlock. The sharp cleavage at the end of the Constitutional Cortes pointed clearly to a struggle for one or other of two dictatorships, labor or semi-Fascist.

However, if neither revolution nor democracy succeeded under Azaña, neither failed totally. Spain, in 1933, presented a startling contrast to Spain in 1931. The change was one in intangibles, so marked that almost any observation was prefaced or followed by, "It's the Republic!" Do the señoritas bob their hair, go stockingless in Summer and rush to the beaches with the señoritos? Ah, the Republic! Are the churches empty on Sunday and the woods full of picnickers singing radical songs? The Republic! Have the somber, unforgetably tragic religious processions been replaced by paraders going to or from a mass meeting? The Republic! Does the peasant in Andalusia forget to bow and uncover when his landlord passes? The Republic!

Apparently "the Republic" was something that had to do with the young and the proletariat. These two sections of the population gave Spain in September, 1933, its tone. Young men shrugged their shoulders and said: "Bullfights? A nice spectacle! An animal bleeding to death!" Girls said: "Mantillas and mass and a lover at the window? Nonsense! This is the twentieth century!" The "Army" walked arm in arm with the citizenry and was out of its uniform half the time. Any street crowd now contained representatives of every social stratum, elbowing each other amiably the better to watch, perhaps, a performing rat. Democracy, whether or no ideally achieved in Parliament, sat in every café, and the signs of social revolution were obvious at least on Sunday.

Without underestimating the political failure of the Azaña experiment, not its subsequent dangers, one must recognize that whether because or in spite of the government, Spain had moved ahead in two and a half years. Some things had come to stay, for example—higher wages and shorter hours. The experiment also impressed even the extremely conservative Right with the need of social and economic reform, though the avowed aim of this element was fascism. The danger feared by the Azaña alliance—a restoration of the monarchy—was not even on the horizon. Since the elimination of that possibility was thought to be the chief task of the alliance, its historical mission was at an end, and with it a quixotic experiment in democracy.

The Challenge to de Valera

By DENIS GWYNN

[The writer of this article is the author of a dozen books, mainly on Catholic and Irish affairs, the latest being *De Valera*, published in New York by E. P. Dutton & Co.]

THE acute crisis which arose in the Irish Free State in August has continued ever since, but the prospect of an early election has apparently receded. Mr. de Valera's organ reiterates that the present Dail, elected in January, 1933, should survive for the full five years of its statutory life. Meanwhile, a condition of chronic tension and unrest persists, and the government apparently intends to cope with it by exercising the extraordinary powers conferred by the Public Safety Act which it brought into operation in August. Mr. de Valera's ascendency over his colleagues in so indisputable and his own temperament is so reserved and inscrutable that one can only guess concerning his further intentions.

He was confronted during the Summer by a new and militant agitation which had been suddenly organized under a new leader who showed singularly little aptitude for political tactics. The Opposition forces were still disunited, but there were signs that they would soon combine. Economic discontent, which had been almost miraculously averted by two abundant harvests, had not yet gathered momentum, but the inevitable effects of de Valera's fight with the British Government were beginning to be felt. The general situation indicated that his popularity would soon be seriously threatened, while his opponents would have settled their quarrels and combined to pull him down. General O'Duffy's National Guard was a clear omen of increasing opposition. If it were allowed to grow, de Valera's small majority in the Dail would be imperiled. To those who are familiar with de Valera's capacity for rapid decisions and who know his powers as a mob orator in emergencies, it seemed likely that he would hold an election at once to obtain a mandate for suppressing O'Duffy's new organization.

Mr. de Valera has now been in office since February, 1932, and he has kept the initiative in his hands ever since. Disregarding all protests from London, he abolished the oath of allegiance required by the treaty with England which established the Irish Free State in 1921. Likewise, he at once discontinued payment of the land purchase annuities and other annual payments (amounting to some £5,000,000 a year) which had been paid regularly to London under a financial agreement between the Dublin and London Governments. After abortive efforts at negotiation, the British Government retaliated against the abolition of the oath by refusing to renew the imperial preference which all other Dominions enjoy. Later, when the annuity payments were suspended, it imposed a series of drastic duties on Irish agricultural imports, which were intended to produce revenue equal to the payments that were being withheld. Mr. de Valera then retorted by imposing similar duties on British imports into the Irish Free State, and the tariff war has increased in intensity since.

It was believed in London, in ignorance of the conditions which had brought de Valera into power, that the economic war would be felt so quickly all over Ireland that de Valera would have to reverse his policy. The tariffs were also expected to compensate for his default in paying the Irish annuities. They have in fact fallen far short of the expected yield; and the recoil upon British trade with Ireland has been serious.

The effects of the economic war upon the political situation in Ireland have been still more disconcerting. By penalizing the Irish farmers for Mr. de Valera's default, the British Government hoped to make him widely unpopular in Ireland. But in practice the main effect of the blockade has fallen upon the more prosperous farmers who have always opposed de Valera and disapproved of his present policy. The majority of his supporters, on the other hand—the small farmers and laborers and the younger classes of voters—have suffered remarkably little. Many of them have even gained for the time being through Mr. de Valera's policy, and many more have hopes of gaining through the misfortunes of the larger farmers. Broadly speaking, Cosgrave has been steadily supported by all the large farmers and by the business community. The small farmers of the poorer districts, especially along the whole Western seaboard, where the population is abnormally crowded on almost barren land, lead an extremely primitive existence and are very little concerned either with markets or with money payments, except for paying land annuities, which are equivalent to rent. To them Fianna Fail (de Valera's party) offered escape from the obligation to pay land annuities (since payment could scarcely be enforced for long, once the obligation to England had been repudiated) and many attractive promises of State expenditures to develop the poorer district.

The British policy of economic reprisals had ignored the plainest feature of Ireland's economic and political structure. Nearly half the population of the Free State are crowded in the relatively barren counties west of the River Shannon, while the fertile plains of the midlands are largely depopulated and given over to grazing. By far the greater part of the export trade of cattle, butter, poultry and pigs is drawn from these midland counties, where the average farm is much larger than in the West. The larger farmers have usually paid their land annuities regularly and kept their farms well stocked with cattle. For them de Valera's proposal to retain the land annuities at the risk of losing the British market was sheer madness. But the small farmers had much to gain, and practically nothing to lose, by refusing to pay rent. Consequently, the British tariffs have chiefly paralyzed those who had supported Cosgrave, while they have enhanced de Valera's popularity among the Western peasantry.

British politicians, having no clear conception of Irish conditions, assumed that all Irish farmers must be conservative-minded yeomen, whose thoughts were entirely centred on fairs and markets. Nor did they understand that for years de Valera has been urging a complete transformation of Irish economic conditions, by breaking up the cattle ranches of the midlands in order to give more employment by increased tillage and by dividing the larger farms. Hence, the outcry against him for having provoked the economic war comes now from the same class of prosperous farmers and graziers whom he would have challenged in any case.

Unaided, he would have had a tremendous task in trying to bring about the break-up of the grazing lands and in compelling the graziers to adopt tillage. But the "blockade" duties, by making grazing unprofitable, have immensely assisted his program of economic reconstruction. Incidentally, the farm laborers in the midlands, who naturally outnumber their employers, not only hope for more employment by increased tillage but see hopes of obtaining land themselves when the cattle ranches are broken up. The Land Bill introduced by de Valera's government has stimulated such hopes by its provisions for compulsory purchase and for resettlement of the land.

These simple considerations explain the undeniable success of de Valera's appeal to the electorate for a vote of confidence early this year. The small farmers gave him increased support, for having reduced their land annuity obligations. In the midlands, which had felt the full effect of the blockade, and where the prosperous farmers were feeling desperate, the laborers voted so solidly for de Valera and his Labor party allies that he won new seats in every grazing county. Meanwhile, he had obtained extraordinary powers, almost amounting to dictatorship, under the Emergency Duties Act which was passed when the blockade began. His budget in 1932 had increased taxation from £20,000,000 to £25,000,000 to provide for large measures of public works and various kinds of unemployment relief. A series of measures has since been carried to promote Irish industries on a most ambitious scale, practically assuming that the blockade will continue, and that the country must become independent of British imports. This Summer an Industrial Credit Bill has been introduced under which the government is to finance Irish industry to the extent of £5,000,000, providing immense loans for creating sugar refineries, cement and paper factories, and for exploiting peat and for developing Irish mines. Power has been taken to raise a further £5,000,000 by debentures for later schemes. Meanwhile, housing schemes for the laboring class, road-making and various other plans are in progress, which involve an apparently unlimited demand upon the harassed minority who pay taxes and who also have been most hit by the economic war.

For two years Mr. de Valera's habitual good fortune has given him exceptionally good seasons for the farming community. The small farmers, who lead an almost self-supporting existence, have had less cause than usual for complaint. The laborers have gained new hope from his ambitious plans for industrial development, which have not yet been put to the test, and unemployment relief has been on a scale more generous than in almost any other country. Only those classes who have hitherto been more prosperous than the rest have so far suffered, but their hardships have been great, and they face a prospect of overwhelming taxation. Yet they have been powerless to assert themselves. In the Dail they have been constantly outvoted. There has been no hope even of winning a by-election. Moreover, the last elections disorganized their forces. The new Centre party, formed by Frank MacDermot and James Dillon, gained a number of seats, but in each case at Cosgrave's expense. Cosgrave's party, after ten long years in office, had become thoroughly unpopular and could not hope to inspire enthusiasm. The Centre party, led by able young men of distinguished families and considerable

private influence, who had played no part in the strife of the past ten years, had detached from Cosgrave the most influential of his former supporters in the business community and among the larger landowners. Cosgrave's party had in fact become little more than an effete machine.

Under such conditions the Opposition forces sought eagerly for some new leader who would unite them on a new platform and with a definite program. But neither leader nor platform nor program was easy to find. De Valera's popularity was greater than ever, and he had shown a most formidable genius for political strategy. Apart from the menacing problem of how all his schemes are to be financed, or how chaos and misery are to be avoided if revenue should fail, he has certainly assisted more people in Ireland for the moment than he has injured. His economic policy of freeing Ireland from an excessive dependence upon external trade, which keeps the most fertile parts of the country depopulated and leaves no scope for development in the overcrowded West, and of creating a more self-contained national economy, has advanced with rapid strides. Even if he were overthrown tomorrow, it is extremely improbable that the present tariff system would be abolished or that the efforts at economic reconstruction would be discontinued.

In the political sphere also de Valera has achieved an advance toward national independence which can scarcely be undone. No Irish politician would now think of restoring the oath of allegiance, nor would anyone attempt to revive the extravagant scale and obsolete functions of the office of the Governor General. Time after time de Valera has declared that he will work toward full national independence within the framework of the Constitution, taking advantage of any instrument that enables him to claim fuller sovereign rights, whether it be an Ottawa conference or the resolutions of previous imperial conferences. He stated openly in the Dail in May that he believed the republic would be attained by general consent much sooner than most people imagined, and that he hoped before long to proclaim a republic himself as a "mere ceremonial."

Against de Valera's program of economic and political reconstruction, what alternative can the Opposition provide? What interests does it even represent? The cattle raisers, the traders, the banks, are all thoroughly alarmed, but can they hope to carry the country with a program of rehabilitating the cattle ranches and restoring free imports of British manufacture? So far, they have only been able to denounce de Valera for quarreling with a friendly country which is Ireland's best customer. They insist that Ireland will always produce far more foodstuffs than she can consume. But de Valera replies that he also desires a settlement, but only on terms which do not involve paying a yearly tribute to England, and which will recognize Irish national sovereignty. The taxpayers who have to bear the whole burden of de Valera's ambitious program are protesting furiously. But they are vastly outnumbered by the peasantry, who scarcely use money from month to month, and the laborers, who will not yet believe that revenue cannot be obtained without limit. De Valera is not only a courageous and determined leader; he is equipped with powers scarcely less than those now exercised by President Roosevelt in the United States. Opposition to his program while he forces the pace can only be negative, and Cosgrave, after ten years of office, is

still crippled by an accumulation of grievances against him and his Ministers.

Yet the Opposition has quite suddenly come to life in a really formidable way since early July. Its disunited forces have been combined; a new leader has been chosen from outside the conflicting groups; even a program on which to rally the growing forces of discontent has been evolved. Its immediate challenge to de Valera is not on the economic war so much as on the unexpected issue of unjust administration of the law. The Blue Shirts, and General O'Duffy as the new leader of a reorganized Opposition, are the direct outcome of de Valera's régime, and they may yet provide the nucleus of a gathering reaction that will destroy his extraordinary power. On the main political and economic issues he was apparently invincible until time proved whether his policy led to national revival or disaster. But a latent weakness in his dictatorship has made him vulnerable on a matter of principle affecting the ordinary life of every one. For years, since the civil war which followed upon the treaty, his relations with the secret organization of the Irish Republican Army have caused apprehension to all who regard the security and peace of private life as the first function of good government.

Before the civil war ended in 1923 de Valera told his followers to hide their arms in case of future need. In later years, especially after he took the oath of allegiance as an "empty formula" and led his party into the Dail, the I. R. A. leaders denounced him furiously. In time he was thought to be completely detached from alliance with them. But the I. R. A. has shown spasmodic signs of returning vitality. In 1931 their illegal activities became so serious that Cosgrave carried a Public Safety Act, virtually establishing martial law in emergencies, to stop the murders of policemen and the intimidation of juries. De Valera has insisted that there need be no fear of revolutionary outrages once the oath of allegiance was abolished, but the I. R. A., emboldened by his policy of ignoring its activities, has again become a source of serious trouble. Before the last elections, intimidation by its armed agents and organized forces became so menacing that a defensive organization was formed to cope with it by Dr. O'Higgins, brother of the murdered Vice President of Cosgrave's Cabinet, as an extension of the Army Comrades Association. It met with immediate support and its organized bodyguards counted for much in securing a free election last Winter.

In recent months, however, political outrages, obviously inspired and directed by the Irish Republican Army, have been much more frequent. Private houses have been seized by I. R. A. detachments, persons have been kidnapped, some have even been murdered, with increasing frequency, while the I. R. A. has grown always more openly defiant. Its members have paraded publicly and frequently in complete disregard of de Valera's warnings that no illegal armed bodies would be permitted. This Summer the I. R. A. even established a camp on the hills overlooking Dublin without its being molested.

The purpose and potential outcome of the I. R. A.'s military preparations have long caused anxiety. Their recent interference with private property and their threats of murder have provoked widespread alarm. Lately their leaders have apparently exercised direct pressure upon de Valera's government. They demanded publicly that Mr.

Nelligan, the head of the Criminal Investigation Department, should be dismissed, and within a few weeks he had gone. Next they demanded the dismissal of General O'Duffy, who had for ten years been head of the police. He, too, was soon afterward discharged and no direct reason was assigned. Meanwhile, local intimidation by the I. R. A. increased, and the Army Comrades Association felt it necessary to strengthen its organization. In July it held a general assembly in Dublin, and Dr. O'Higgins, having found a successor, announced his own resignation as its chief. General O'Duffy was accepted as the new leader with immense enthusiasm. His own dismissal from command of the police had been directly due to the growing pressure of irregular influences upon the government. To extend the work of the A. C. A. on a non-political basis, he at once changed its title to the "National Guard," put it into blue shirts and announced a whole program of athletic training and other objects likely to appeal to young men. There was also to be an auxiliary organization for youth.

General O'Duffy's enemies denounced all these measures as those of a man with a grievance. But he has long been regarded as one of the most disinterested and public-spirited men in Irish public life. He first made his name in the Sinn Fein agitation, when he rose to be Commander-in-Chief of the Irish Army after Michael Collins was shot in ambush during the civil war. When it ended, O'Duffy was given command of the Civic Guard, or police, which has become a highly efficient force under his direction, commanding universal confidence for its impartiality and sense of duty. His reputation for integrity stood so high that when an army crisis arose in 1925 he was again made temporary Commander-in-Chief, but when trouble ceased he returned to command the police. In dismissing him this year for no apparent reason, de Valera undoubtedly shook confidence in his own integrity.

To the Opposition forces, searching for a new leader, General O'Duffy's emergence as head of the National Guard was a providential discovery. The government showed immediate signs of panic and took several vindictive steps, including the forfeiture of General O'Duffy's pension, which only aroused sympathy for him. It then adopted the extraordinary procedure of calling in every license for carrying firearms which had been issued to private persons, including bank managers, for their personal protection. The I. R. A. was notoriously armed, though its members held no arms licenses. Yet they were left undisturbed while every peaceable citizen with a license was obliged to surrender his weapon.

Any experienced politician could have derived immense advantage from the government's high-handed action. But General O'Duffy's first actions were a series of blunders. He announced a national parade of his Blue Shirts in Dublin to celebrate the annual tribute to Collins and Griffith; then vowed that nothing would prevent his fulfilling the "sacred duty" of holding the parade, when the government threatened to prohibit it; then canceled the parade and announced an alternative arrangement, which also had to be canceled. His worst blunder was in announcing that the new movement was a revolt against party politics and parliamentary government. Nothing could have helped de Valera more in dealing with this new threat to his popularity. He

decided quickly to treat the National Guard as an open challenge to Parliament, requiring emergency powers. Accordingly he revived the Public Safety Act, which Cosgrave had enforced against the I. R. A., and under its wide powers declared the National Guard to be an illegal body.

The immediate result was a sudden closing of the Opposition ranks. Negotiations for union between Cosgrave and the Centre party quickly resulted in agreement. General O'Duffy was invited to become the national leader of the whole Opposition, reorganized as the United Ireland party, with Cosgrave as its chairman in the Dail and MacDermot and Dillon as vice presidents. This "new deal" transformed the situation. The front Opposition bench in the Dail was no longer confined to the same group of embittered men who had held office for ten years. The inclusion of MacDermot and Dillon showed that new men, and those who had refused to identify themselves with party politics before, would find scope in the new organization. General O'Duffy himself is to devote his great energy and popularity to organizing the movement throughout the country. In the Dail Cosgrave's long experience, great shrewdness, good humor, integrity and courageous public spirit make him a most formidable leader.

Of his new allies by far the ablest is Frank MacDermot. A member of a famous and ancient family in the west of Ireland, he served with Irish regiments in the World War, but had made several incursions into Irish politics as a friend of Erskine Childers before he went to New York as a stockbroker. Since his return to Ireland he has been engaged as a practical farmer in his native county. He therefore commands the confidence not only of the business community but of the farmers who are suffering most from the blockade. Full of pluck and self-confidence, with a remarkably lucid mind and a fine gift of oratory, MacDermot has been de Valera's most formidable critic among the independent members of the Dail.

The main plank in the Opposition's new platform is a demand for immediate settlement with Great Britain by friendly negotiations. Meanwhile, it has concentrated upon forcing de Valera to face the consequences of the injury he has caused to the farming and trading classes. Many substantial farmers are entirely unable to pay their local taxes because their cattle are virtually unsalable. MacDermot and Cosgrave, without actually urging a general refusal to pay these taxes, have championed the distressed farmers in their protests against distraint when payment is impossible. Such cases will certainly multiply in time, and the Opposition is exploiting them vigorously and skillfully in order to force a settlement of the economic war.

But de Valera has retorted with measures which cannot fail to provoke a fierce revolt. Under the Public Safety Act he brought before the Military Tribunal a number of farmers who had been unable to pay their local taxes, charging them with deliberate conspiracy against the State. For a whole month they were kept in jail awaiting trial, but when they were tried the Military Tribunal acquitted them on every count. Their acquittal will inevitably encourage others to resist distraint, while it stultifies de Valera's application of the Public Safety Act and creates a bitter feeling of injustice among the farmers whose present distress is directly due to his policy. For the first time since de Valera took office his popularity is seri-

ously in danger. The revulsion against him may grow all the sooner because of his failure to prosecute members of the Irish Republican Army who have been attacking General O'Duffy's meetings with brutal violence, while the police are apparently ordered not to interfere.

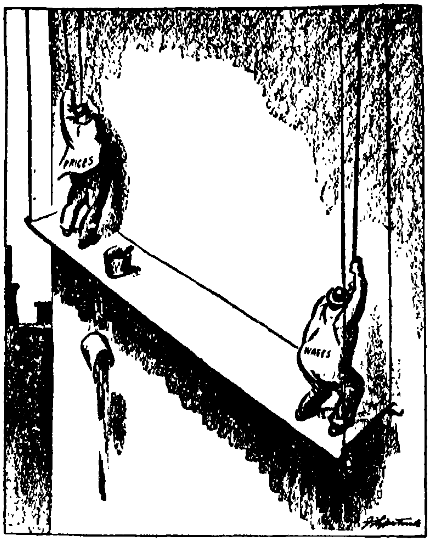
The Public Safety Act, even if it were impartially and justly administered to prevent acts of criminal violence, would make any government unpopular. Actually its operation has exposed de Valera to charges of gross injustice against the victims of his economic policy. The Opposition may well feel that General O'Duffy's advent into public life has upset all de Valera's calculations by forcing him to play his last card at the wrong time. But the danger of playing it when he did was so obvious that one wonders whether, after eighteen months of overwhelming work and strain, his nerve and his sagacity have failed him, or whether he is deliberately creating a situation which will give a free hand to his old allies of the I. R. A. A settlement with Great Britain upon terms vastly more favorable than when he took office could be obtained almost at a moment's notice, and such a settlement would take the wind completely out of his opponents' sails.

But does de Valera want a settlement in the ordinary sense? Or is he preparing for a new phase of the age-long conflict between the two countries? He declared ominously in a recent speech in the Dail that a far bigger issue than the economic dispute remains to be fought out. That is nothing less than the reconquest of "every inch of Irish soil," including not only the amalgamation of Northern Ireland with the Irish Free State under an independent national government, but the evacuation of the British naval bases at Queenstown and Lough Swilly. No one can believe that such a result is obtainable without renewing a desperate conflict and plunging Ireland into anarchy for years. Yet de Valera declares this to be the indispensable basis of any settlement.

It may indeed be that the anarchy now developing out of the collisions between O'Duffy's and de Valera's supporters will result in raising much wider issues than have yet appeared openly. It is by no means certain that even in Ireland de Valera's insistence upon complete separation from the British connection would ultimately prevail. Two months ago he could have sprung an election upon the country with every prospect of easy victory. In the interval ugly forces that must change the character of any election in the near future have gained ground. Having disarmed his opponents and proclaimed their defensive organization an illegal body, does de Valera count upon intimidation to sweep the country at an election when he is ready for it? Or has he merely allowed conditions to drift toward anarchy? In any case, the moral authority of his government and public confidence in the police have been deplorably paralyzed and discredited by a growing sense of unjust administration.

LONDON, Oct. 20, 1933.

Current History in Cartoons



A little more balance, please
—*St. Louis Post-Dispatch*



Now, if it wasn't for that dog
—*Philadelphia Inquirer*



"Lay me an egg!"
—*Boston Herald*



Captain—"Hey! You're running the wrong way!"
—*The New York Times*



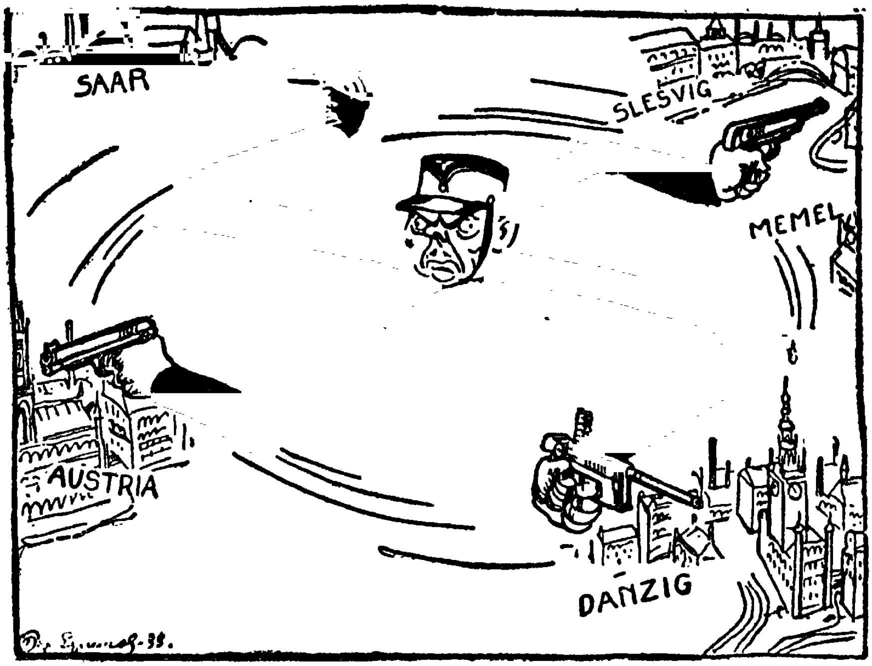
Comrade!
—*Baltimore Sun*



And let there be no moaning of the bar
When I put out to sea
—*NEA Service*



Show us how you do your tricks
—*Detroit News*



—*Zarubejom*, Moscow



Signs of returning prosperity

—*Glasgow Evening Times*



Control Commission—"Will you permit an inspection on the question of armaments?"

—*Kladderadatsch*, Berlin



The Stranglehold—"Himmel! How I love you, my angel. If I were only stronger, I might love you even more"

—*Daily Herald*, London



"Frankenstein"

—*Washington Post*

A Month's World History

Germany Quits the League

By ALLAN NEVINS
Professor of American History, Columbia University

IN the period between Baron von Neurath's departure from Geneva at the end of September, bearing a tentative disarmament proposal to the German Government, and the meeting of the Disarmament Bureau on Oct. 9, the Foreign Offices of London, Paris and Washington hoped that the arms conference was approaching a great success. It remained only for Adolf Hitler to crown their efforts by giving his assent.

The plan which Baron von Neurath took to Berlin called, briefly, for two periods of disarmament—first, a four or five-year interval, during which each country would submit its armaments to the supervision of an international commission; and second, progressive disarmament for four years, during which time Germany would be allowed to raise her defensive military equipment to the level of the great powers, while they in turn would reduce their offensive weapons. It was somewhat ambiguously provided that offensive weapons would be moderately reduced during the first period by France, Great Britain, Italy and the United States.

Every one was aware that the supervisory period represented a scheme devised by France, and later endorsed by Britain, to prevent the further secret rearming of Germany. Its real name in French was "Security." The mild provision with regard to arms reduction during this first period was a concession to Norman H. Davis, who has been persistent in demanding some immediate form of disarmament. Whether it would bear practical fruits was doubtful in at least France and Great Britain, where conservative nationalist politicians began at once to manoeuvre against it, and were supported by the powerful munitions interests.

Adolf Hitler had as shrewd an appreciation of these facts as any one. That he hesitated in showing the German hand was due largely to a hope that France, Great Britain and the United States would disagree among themselves and remove the necessity for dealing with a united front of the powers upon disarmament. Hitler felt reasonably sure that he could count on the friendliness of Italy. Mussolini had already sanctioned the German demand for immediate possession of "samples" of all kinds of arms.

The German argument that the powers should either disarm or let Germany arm was logically sound. But instead of making adroit use of his strong case, Hitler proceeded to perpetrate a series of diplomatic blunders. The first of these was in assuming that France and Great Britain

were not nearly as closely united as they seemed. He believed that Prime Minister MacDonald, who has been notably fair to the German Government, would look with sympathy on a plain statement of his case.

Hitler, therefore, dispatched to London, and also to Rome, a note in which he declared that Germany could not wait four years before beginning to achieve arms equality with France and the other powers, and that she must have a few big guns, tanks and airplanes at once. He added that the first period of a moratorium on armaments must not extend over four years, and that the proposed supervisory commission must not presume to investigate Germany at all.

Contrary to Hitler's expectations, this declaration stiffened British resistance. At the same time, since he had sent no notes to France and the United States, it added fuel to the resentment of the French and irritated Mr. Davis by apparently snubbing them. In Washington President Roosevelt unofficially warned Germany that by our separate peace treaty with her she is bound to disarmament as firmly as by the Treaty of Versailles. When the effects of Hitler's move were seen to be unfavorable, the German Foreign Office returned to its former equivocal attitude. "We are demanding nothing," it stated, "but we will never voluntarily sign a convention which leaves out of account the fundamental principle of equality."

Premier Daladier immediately dealt with the issue in a speech at Vichy, where his Radical Socialist party met in congress: "We are resolved to permit no further reduction in our armed forces unless there is an honest international agreement to organize gradual disarmament under the aegis of a permanent and automatic supervision. * * * Why is the youth on the other side of the Rhine being drilled for combat? Why this refusal of the first stage of disarmament? Why demand the right to construct today costly war material which must be destroyed if the agreement is signed?"

The Disarmament Bureau assembled at Geneva in an atmosphere of the utmost anxiety. A few took the optimistic view that Germany in her notes to London and Rome had demanded more than she really expected and might take less. But the general tenor of the discussion was pessimistic.

Sir John Simon, arriving gloomily from London, told Mr. Davis and Joseph Paul-Boncour, the French Foreign Minister, that his government, at present dominated by the Conservative party, was unalterably opposed to Germany's rearmament. Sir John was in favor of establishing a united British, French and American front and moving toward forcing a treaty on Germany. Here Mr. Davis intervened as peace-maker and declined to endorse such strong measures. As a result the resolution which Sir John had proposed to publish, recapitulating the main points of the three-power plan—a preliminary period of supervision, and no rearming for Germany until after that—was countermanded, although not before it had been printed in the Paris press.

At this point the acting chief German delegate, Dr. Rudolf Nadolny, having collected a fair idea of the trend of opinion, returned to Berlin to report to his chief. There he found Hitler meeting in day and night sessions with the Cabinet.

In Geneva the Disarmament Bureau ground slowly on. On Oct. 14, at a morning session, Sir John Simon delivered a legalistic, unimpassioned speech summarizing the British, French and American stand. It set

the official seal on the triple union. Although couched in conciliatory terms, it firmly denied Germany the right to any armaments until the end of the supervisory period, when she could begin to rearm gradually. She would not reach equality with the other powers until the end of the eighth year.

If the bureau had been fearful of the effects of such a firm stand they were completely astounded by the swiftness with which Adolf Hitler struck back. Without waiting for twelve hours to pass, he announced Germany's withdrawal from the Disarmament Conference and from the League and all its works. His action, accompanied with characteristic Nazi bluster and fanfare, left the world astounded, shocked and for the moment gravely apprehensive.

Adolf Hitler's foreign policy has a dual character. It combines with such defiant and provocative acts as his withdrawal from the Disarmament Conference a conciliatory reasonableness in explaining that Germany is merely trying to become again a self-respecting nation, equal in station with the other powers. He had no sooner struck at the cause of disarmament, therefore, than he proceeded to address the world by radio and to set forth in rational manner the cause of Germany.

Harking back to Versailles, he said: "The German people destroyed their weapons. Relying upon the good faith of their former enemies, they fulfilled the treaties with really fanatical fidelity. * * * The German people could rightly expect for this reason alone that the rest of the world would redeem its promise in the same manner as the German people. * * * No war can become the permanent condition of mankind. No peace can be the perpetuation of war. * * * The purpose of Versailles, however, did not seem to be to give mankind a conclusive peace, but rather to keep it in a state of perpetual hatred."

Continuing, he briefly described the sufferings of Germany after the war; he asked credit for having saved Western Europe from a Red invasion; he said he had rescued his own country from "whatever of depravity, dishonor, knavery and corruption had accumulated in our people since the unholy Treaty of Versailles." The note most frequently sounded was "honor and self-respect." At one point he declared: "Declassification to the rank of non-equal membership [in the Disarmament Conference] is an unbearable humiliation for an honor-loving government." And later: "We all, like every decent Englishman and Frenchman, have done our duty toward our country at the risk of our lives. * * * Having gathered * * * that the great powers are not thinking of genuine equality for Germany at the moment, it is not possible for Germany, so placed in a dishonorable position, to intrude itself upon other nations."

First complimenting the French soldier as an "old glory-bedecked opponent," he then proceeded to proclaim the most friendly feelings for the French people and to express a hope that "the two peoples could once for all ban force from their common life." This was a clear invitation for Premier Daladier to open private negotiations with Berlin.

The foreign response to Germany's abrupt step was characterized by restraint. In Great Britain, Prime Minister MacDonald made sure that no official criticism would be uttered. France, which had been singled out for a friendly gesture on Hitler's part, was doubtful of the honesty of his intentions. Although some newspapers

of the Left suggested that the government should accept the German invitation to negotiate separately, the organs of the government held that it was a trap intended to sever France from Great Britain and the United States and thus split the united front. Premier Daladier expressed the opinion of most Frenchmen in his speech to the Chamber of Deputies at its opening meeting on Oct. 17, when he said: "We are not deaf to any proposals but neither are we blind to any facts. If an entente is sincerely desired, why begin with a rupture? If it is intended to respect engagements, why oppose their verification?"

Premier Mussolini, who, because of his friendly relations with Hitler, was instantly suspected of having been at least informed of Germany's move beforehand, proved as surprised as any one. Although it had long been said at Geneva that Mussolini was trying to swing disarmament discussion away from the League proposals to his new Four-Power Pact, there appeared no evidence of this. Mussolini remained aloof and did not even offer his services as mediator between Germany and the British, French and American bloc.

The sole murmur of approval that reached Hitler's ears from abroad came from Japan, which could not repress its satisfaction that Germany, a nation many Japanese especially admire, had quit Geneva in the same peremptory manner as did Japan a year ago.

Germany's withdrawal from Geneva, by its instantaneous effect on the gold currencies of Europe, gave fresh evidence of the instability of international finance. The resurrection of the war scare caused francs to fall seven points to 5.61 cents, the lowest since Sept. 9. Dutch guilders went down twenty points to 34.40 cents, Swiss francs ten points to 28 cents and German marks twenty points to 34.40 cents. On the New York Stock Exchange German bonds, already quoted generally at half or less than half their par value, were heavily sold. In the half day's trading of Oct. 14, the day of Hitler's announcement, German Government 5½s (Young Plan bonds) dropped 4½ points and the 7½s fell 3 points. Private German dollar obligations were borne along in the downward trend, as were most other foreign bonds, and the entire New York bond market, with the exception of United States Treasury issues, showed the depressing effect of the news.

Germany's big guns had been fired on the eve of the convening of the Disarmament Conference proper, scheduled these many months for Oct. 16. Its first session lasted only half an hour. The business consisted of approving a stern reply to Germany's notification of withdrawal. After that it was voted to adjourn until Oct. 26 so that the delegates could "consult their governments."

Norman Davis's instructions have been from the first to concern himself solely with the problem of disarmament without involving the United States in European politics. These instructions he had followed with the utmost discretion. On learning that there was some uneasiness at home over his close alignment with the positions of France and Britain, he issued a clarifying statement to the press: "We are in Geneva solely for disarmament purposes. * * * We again make clear that we are in no way politically aligned with any European power. * * * During this week there will be consultations between the capitals of Europe. We do not wish to take an active part in these,

as the implications are clearly political."

In Washington the American policy was made doubly clear when Secretary of State Hull gave newspapermen an emphatic declaration that the government would remain aloof from the Geneva Conference until and if the direct problem of arms reduction again came to the front. Ambassador Davis decided to remain in Geneva as a neutral observer and to watch developments. His position was made additionally delicate by the wish of the League that the United States continue to exert its influence as a consultative power. It was thought highly undesirable that, considering the nervous state of Europe, the American Government should take advantage of its geographical isolation and retire completely from the field. As Ambassador Davis put it, "the time has come for all of us to keep our heads and use them more than ever."

A survey of Germany's neighbors and the effect Adolf Hitler has had upon them shows the wisdom of Mr. Davis's warning. Denmark, which fears especially for her defenseless southern province, Slesvig, encourages the talk of a Scandinavian military alliance. Central Europe, with the exception of Hungary, which has been sympathetic to national socialism ever since the rise of Hitler, feels that the authority of the League, the chief moral support of small nations, has been destroyed, that Germany has shown herself capable of defying world opinion, and that if she ever dares she will encroach on neighboring territory. Two results of this feeling are apparent—a reinforcement of frontiers and a steady concentration of governmental powers.

That Europe was anxious and overwrought seemed not to worry Adolf Hitler. Rash talk in France of a preventive war against Germany, starting with the reoccupation of the Rhineland, quickly subsided before the stern realities of the situation. Busy with the approaching election, Hitler contented himself with reaffirming his specific intentions in his first campaign speeches, and formally withdrawing from the League on Oct. 21, just a week after he had proclaimed that intention. Resignation from the International Labor Office on Oct. 24 and from the World Court three days later left Germany's machinery for communicating with the League stripped to the minimum of representation by her Consul at Geneva. Meanwhile, the Disarmament Conference adjourned to Dec. 4.

THE LEAGUE ASSEMBLY

An unusually dull and futile meeting of the League of Nations Assembly closed in obscurity on Oct. 11, overshadowed by the discussions upon disarmament. Its most animated and fruitful debate centred on the question of minorities. Two resolutions were introduced in the Sixth or Political Commission of the Assembly. The first, sponsored by the Polish delegate, Count Raczynski, called for the appointment of a committee to draw up a convention guaranteeing the rights of all minorities, whether of race, language or religion. This resolution was rejected.

The second proposal, offered by Senator Henry Berenger of France, reaffirmed a resolution of 1922, which expressed the hope that all members of the League would observe in the treatment of their minorities the same justice and tolerance required by the League Covenant in certain specific treaties. Additional strength was given the original resolution by making such justice and tolerance obligatory, and by providing that any interpretation

which excluded certain groups would be invalid. But the Berenger proposal was eventually so emasculated that it became merely a restatement of the 1922 resolution. Before debate closed, nevertheless, Senator Berenger, as well as the delegates of Great Britain, Persia and Switzerland, had had their chance to tell Dr. Freidrich von Keller, the German delegate, what they thought of the Reich's treatment of its Jews.

The Second Commission achieved more practical results. It agreed upon the creation of an international body to furnish all possible relief to approximately 50,000 German Jewish and political refugees. As sanctioned by the Assembly and submitted to the League Council, the plan calls for a commission of representatives from fifteen countries, most of them neighbors of Germany—the Netherlands, France, Poland, Czechoslovakia, Belgium, Switzerland, Denmark, Italy, Great Britain, Sweden, Spain, the United States, Argentina, Brazil and Uruguay. As a special concession to Germany the commission was officially put outside the sphere of the League and described as autonomous. Except for a loan of 25,000 Swiss francs [at par about $5,000] by the League Council, the work of the commission will be financed by private subscription. Choice of a High Commissioner to assume the responsibility and most of the labor involved was left to the President of the Council. President Raoul Amador of Panama, after considering several Americans for the post, including Alfred E. Smith and Theodore Roosevelt Jr., appointed James G. McDonald of New York, who for the last fourteen years has been chairman of the Foreign Policy Association and an energetic worker in the cause of peace.

WAR DEBTS

One of Great Britain's most eminent financiers arrived in Washington on Oct. 3. His name is Sir Frederick W. Leith-Ross, his title is Financial Adviser to the British Government, and he came on business. He represented the first war debtor to come at the invitation of President Roosevelt to talk things over. On reaching the capital Sir Frederick found that his host was absent in Chicago addressing the American Legion. When he got down to work with Dean Acheson, the Under-Secretary of the Treasury, it was found, as most people have long suspected, that there is at present no basis of agreement on which the United States and Great Britain can settle the war debts. The British financier's visit was advisable chiefly because on Dec. 15 his government is expected to make another payment on interest and principal; the question has arisen whether it is best to offer another "token payment" then or to suspend all further payments until after the period of depression.

Last June President Roosevelt accepted a token payment by Great Britain of $10,000,000 on $76,000,000 due. This December $117,000,000 falls due. In London financial circles there was a persistent rumor that Sir Frederick would offer a lump sum payment of $1,000,000,000 to cancel the entire debt unpaid, which amounts now to $4,465,000,000. Whether the rumor was correct or not, President Roosevelt disclosed that he was not inclined to recommend any drastic sacrifice in the debt when Congress assembles next January.

President Roosevelt's Gold Policy

By D. W. ELLSWORTH
Editor, The Annalist

By the middle of October it became evident that business activity in the United States was undergoing a serious reaction from the effects of the speculative boom which lasted from April, when the gold standard was formally abandoned, to the middle of July. *The New York Times* weekly business index, for example, which from March 18 to July 15 had risen from 60.0 to 99.0, declined steadily throughout August and September until, for the week ended Oct. 21, it stood at 76.6. Not only had the volume of industrial production and retail trade shown a substantial shrinkage, but commodity prices in general, and farm prices in particular, had failed to continue the spectacular advance which accompanied the devaluation of the dollar over the period from April to July. In these circumstances it was scarcely surprising that the administration at Washington should attempt to devise some new method for raising prices.

Nor was it at all surprising that this latest attempt at business recovery should take the form of an experiment in currency management. As far back as last July, when there were few tangible signs of the impending reaction in business activity, the so-called brain trust at Washington was added to by Professor George F. Warren of Cornell, an outspoken champion of the commodity dollar. With the dollar at the mercy of international speculators in foreign exchange, there developed an increasing impatience among business men generally with the wide fluctuations which were occurring in foreign exchange rates. England, with far less potential resources at her command than those possessed by American financial authorities, had virtually eliminated fluctuations in the gold value of the pound by the judicious use of her Exchange Equalization Account. There appeared to be no good reason why fluctuations in the gold value of the dollar should not also be eliminated by the same or similar means.

On the evening of Sunday, Oct. 22, President Roosevelt, in the course of a radio address to the American people, made the following announcement: "The United States must take firmly in its own hands the control of the gold value of our dollar. This is necessary in order to prevent the dollar disturbances from swinging us away from our ultimate goal, namely, the continued recovery of our commodity prices. As a further effective means to this end, I am going to establish a government market for gold in the United States. Therefore, under existing law, I am authorizing the Reconstruction Finance Corporation to buy gold newly mined in the United States at prices to be determined from time to time after consultation with the Secretary of the Treasury and the President. Whenever necessary to the end in view, we shall also buy or sell gold in the world market."

The first effect of this announcement was to create widespread confusion. The world's leading economists

confessed a complete inability to understand its meaning or significance. Precisely how, by the purchase of the insignificant amounts of gold produced from day to day by American miners, the general price level in this country was to be raised by any appreciable amount, was a question to which no one could perceive the answer. It was, however, generally admitted that if the Reconstruction Finance Corporation should go into the world market (which would for all practical purposes be limited to Paris and London) and buy gold in sufficient quantities, it might be possible, by forcing a depreciation in the gold value of the paper dollar, to bring about a rise in the paper prices of commodities.

There was also, I think it safe to assert, general agreement on one other important point. If the new gold policy represented merely a method of stabilizing the gold value of the dollar in the foreign exchange market, it would be a highly commendable measure. If, on the contrary, it represented merely a first step toward the managed currency system advocated by Professor Warren, it was bound to be hailed with enthusiasm only by the devotees of inflation. That the measure was in fact widely interpreted as a move toward a managed currency system was made evident not only by the jubilation on the part of inflationists and the concern expressed by the advocates of a return to the gold standard, but also by the course of foreign exchange rates, which, even before the actual beginning of the first announcement of gold prices, began to rise in terms of the dollar.

The actual beginning of the new gold policy occurred on Wednesday, Oct. 25, when the Reconstruction Finance Corporation announced that it would buy newly mined gold at a price of $31.36 an ounce, which was approximately 37 cents above the dollar equivalent of the price of gold that day in the London open market. Except for a further depreciation in the gold value of the dollar, however, this offer to buy gold at a price above the world level had little effect of the kind intended. Commodity prices had risen in anticipation of the beginning of the new policy, but once in effect, despite the fact that the announced gold price was advanced every day until, on Oct. 28, it stood at $31.82, commodity prices made little further headway and in the last three days of October they actually declined. The net result of the new policy was a temporary rise in stock and commodity prices, a fall in the gold value of the dollar, a rise in the world price of gold substantially less in amount than the rise in the price announced by the RFC, a renewed rise in French and Swiss Government bonds and a renewed decline in domestic prices. It was obvious that the scheme was a failure.

Consequently, on Sunday, Oct. 29, at a Presidential conference attended by Professor Warren, Professor James Harvey Rogers, Governor Black of the Federal Reserve Board, Chairman Jones of the RFC, Under-Secretary Dean Acheson of the Treasury and other officials and financiers, it was decided to extend the new policy to include purchase of gold abroad.

I will be seen from Table I, given below, that as long as the RFC confined its offer to the domestic market, the world market failed to follow the rise in the official price, but that after the corporation began purchasing gold abroad the world price rose nearly to parity with the RFC price. It is also to be noted that the final outcome of the new policy, up to Nov. 3, was a depreciation in the gold value

of the dollar to 64.2 per cent of its former value when we were on the gold standard, a figure obtained by dividing the old mint price of $20.67 by the London market price of $32.22.

Table I. Official Price of Gold in the United States Compared With Open Market London Price (Dollar Equivalent.)

	U. S.	LONDON.
Oct. 20	*$29.13	$29.27
Oct. 21	*29.01	29.10
Oct. 23	*29.59	29.83
Oct. 24	*29.80	29.74
Oct. 25	†31.36	30.99
Oct. 26	31.54	31.03
Oct. 27	31.76	31.02
Oct. 28	31.82	30.38
Oct. 30	31.96	31.52
Oct. 31	32.12	31.07
Nov. 1	‡32.26	31.58
Nov. 2	32.36	32.08
Nov. 3	32.57	32.22

*Price announced by the Treasury for purchase of newly mined gold for export.

†Beginning of domestic gold-buying policy by the RFC.

‡Beginning of actual purchases of gold abroad.

The effects of the new policy are, however, more clearly evident from Table II.

Table II. Gold Value of the Dollar Compared With Wholesale Commodity Prices

(Gold Values in Cents)

	In Gold Currencies.*	In London Gold Market.	R F C	Moody's Wholesale Price Index.
Oct. 20	71.4	70.6	†71.0	121.1
Oct. 21	70.8	71.1	†71.2	120.9
Oct. 23	69.8	69.9	†69.9	122.8
Oct. 24	66.7	69.2	†69.4	122.9
Oct. 25	66.6	66.7	66.0	125.4
Oct. 26	66.4	66.6	65.6	124.8
Oct. 27	67.4	66.6	65.1	126.2
Oct. 28	66.8	68.1	64.9	125.2
Oct. 30	66.4	65.6	64.7	125.4
Oct. 31	65.9	66.5	64.4	123.9
Nov. 1	64.9	65.5	64 0	123.1
Nov. 2	64.2	64.4	63.9	123.7
Nov. 3	64.2	64.2	63.6	124.2

*Based on average closing quotations at New York of French and Swiss francs, Dutch guilders and Belgian belgas.

†Based on price of gold announced by the Treasury for purchase of newly mined gold for export.

If the new gold policy failed at its inception to bring about a rise in commodity prices, it nevertheless succeeded in raising to a high pitch the controversy which was already raging with increasing intensity over the gold versus an inconvertible or a variable gold standard. The basic object of the administration at the moment appears to be to drive the gold value of the dollar downward until paper prices in this country have risen to the 1925-26 level and then to do one of two things, namely, either to return to a gold dollar containing a substantially smaller amount of gold or else to institute the commodity dollar advocated by Professor Warren, in which the amount of gold would vary in inverse proportion to an index of commodity prices. The dollar has already been driven down about 35 per cent, but in the meantime wholesale commodity prices have risen only about 20 per cent. To reach the 1925-26 level commodity prices would have to rise about 70 per cent (from last March). The Thomas amendment authorizes the President to cut the gold content of the dollar to 50 per cent of its present legal content. Obviously, on the basis of performance to date, it would take a much greater reduction in the gold content of the dollar to bring about a rise in commodity prices to the 1925-26 level. But Congress meets in January, and there is apparently nothing to prevent legislation reducing the gold content of the dollar to any figure necessary to bring about the desired rise in paper prices.

That is why the latest adventure of the administration in monetary policy has aroused such widespread apprehension and opposition. That is why one authoritative commentator has observed: "That the classes that are being injured by the continued depreciation of the currency have thus far made no active protest can be attributed only to lack of comprehension of the real meaning of the present monetary policy. Experience is a hard school, but in this instance, at least, it is evident that the American public will learn in no other."

Whither America?

By E. FRANCIS BROWN

THE outlook for America in the late Fall was not good. As the dust raised by the struggle over the NRA codes settled it became increasingly clear that the recovery promised by General Johnson and his aides was still far distant. Business, after the Summer's spurt, was falling back slowly but steadily while financial and industrial leaders began to attack the Roosevelt program. Labor, with a new lease on life as a result of the National Recovery Act, was restive, and from the farm belt came once more the now familiar notes of protest against economic oppression. Despite so gloomy a prospect, the morale of the nation remained at a high level and the administration at Washington gave no indication that it had exhausted the possibilities for assuring the country's well-being.

The turning of the ways, however, may not be far distant. Before long it may be decided whether national health is to be restored by amputating capitalism or whether the injection of a large dose of fascism is to be the remedy. This note may seem unduly alarmist; yet the attitude of the industrialists and the rapidly expanding governmental control of economic life are portentous. Highly significant in this connection was an article by A. A. Berle Jr., one of President Roosevelt's close advisers, which was published in *The New York Times* on Oct. 29. While Mr. Berle insisted that private ownership and private operation of economic processes were preferable to governmental operation and ownership, he did not hesitate to suggest that government might yet have to step in and establish some sort of collectivist order.

Speaking at Chicago the same day Mr. Berle's article appeared, Rexford G. Tugwell, Assistant Secretary of Agriculture and an influential figure in the Roosevelt administration, said: "Perhaps the most popular of all the presently prevalent theories of government among business men runs in the following terms: In order to set things going again we must insure business a profit.* * * What is holding us back, it is said, is uncertainty —uncertainty that goods made can be sold at a gain, uncertainty that these gains can be invested in further enterprises which will make further profits, ultimately to be salted down in bonds redeemable in gold." Mr. Tugwell, however, maintained that "the best guarantee of profits is capacity operation at low costs and prices; this involves the preservation of purchasing power, the conservation of markets. It may mean smaller earnings at once, but it ought to insure their continuance. We are trying to show that heaped up corporate surpluses and an overconcentration of wealth are not the life of trade, but the death of trade. Incomes must be transformed into larger wages and higher prices to farmers, not simply stacked up in sterile hoards of capital."

A proposal by Gerard Swope, made public on Nov. 1, brought into the open the threat of fascism. Mr. Swope

suggested a plan for industrial self-government that would supplant the NRA, leaving only general supervisory power to the government. Such a scheme, if carried out, would hand over to business far greater powers that it has heretofore possessed. While the President did not accept the proposal, it was reasonably clear that business had fired the opening shot in the battle for its independence.

Possibly it is far more important to consider the likelihood of a social revolution than to become alarmed over the disappointing results to date of the major recovery measures. Yet the American citizen, individually and collectively, can think of little except the specific steps in the government program; he loses sight of the long-time effect at the same time that he overlooks the rapid penetration of government control into economic life.

In agriculture, for instance, conditions have not improved materially. The most exact picture is presented by the index of prices for commodities bought by the farmer and the index of prices received for his own products. For the week ended Oct. 11, according to the Agricultural Adjustment Administration, the former index stood at 116.5 and the latter at 69. In a general sense, here lies the explanation of the embargo laid on Oct. 16 by Governor Langer on the export of wheat from North Dakota and the farm strike called five days later by the National Farm Holiday Association. While both moves were ineffective in so far as they failed to prevent crops from moving, they did bring almost immediate action from the Washington authorities.

Publicity which might have aided the farm strike was shut off on Oct. 20 by the much more significant news that President Roosevelt had taken steps looking toward the recognition of Soviet Russia. On Oct. 25 George N. Peek, chief administrator of the AAA, announced that the Commodity Credit Corporation would lend 50 cents a bushel on corn in States having farm warehouse laws. The loans, which would be secured by warehouse receipts, would be advanced in return for acceptance by farmers of the administration's corn-hog program, which involves a 20 per cent reduction in corn acreage for 1934 and a 25 per cent cut in hogs farrowed and marketed. Thus the corn loan plan differs in no essentials from that for cotton. (See November CURRENT HISTORY, page 207.) Eventually the AAA expects that sugar, wheat, peanuts and possibly other agricultural products will be embraced in what is practically an outright subsidy to the farmers.

Though these are emergency measures, they point the way to strict governmental control of agriculture. There has been suggestion that the price of sugar and wheat would be pegged. Secretary Wallace himself has said that milk might have to be regulated as a public utility. Meanwhile, plans are afoot to remove marginal lands from production. Whether in the end private ownership can survive in the farm regions is an open question.

The failure of farm prices to advance sufficiently to overtake the increase in the cost of other commodities is one reason behind the government's purchase of gold, which was announced by President Roosevelt in his address to the nation on Oct. 22. As he said at that time, part of the government's policy had been and would be the restoration of "a balance in the price structure so that farmers may exchange their products for the

products of industry on a fairer exchange basis." Gold-buying, of course, was related to a general monetary policy of "moving toward a managed currency" and of restoring commodity price levels in general, in the interest of industry, greater employment and equitable debt payment, but the farm problem was directly related to the President's pronouncement. (For an analysis of the gold-buying policy, see the article by D. W. Ellsworth on page 333.)

The industrial picture also had less light than shadow. *The New York Times* index of business activity stood at 77.7 for the week ended Sept. 23; for the week ended Oct. 28 the figure was 75.6. About the best that could be said was that the index was higher than a year ago. Steel, which reflects general business conditions with a good deal of accuracy, operated at only 26.1 per cent of capacity for the week of Oct. 30; in mid-July the average was about 57 per cent. Because business reports for the second quarter of 1933 had been bullish, the general decline that set in about the beginning of September was obscured; yet by the end of October the seriousness of the situation was so apparent to the administration that desperate measures seemed likely to be taken to avert a new collapse. For proof one could cite the gold-buying policy.

Though industry and trade lagged, the adoption of the NRA codes of fair competition proceeded, slowly to be sure, and in some instances only after pressure from the highest quarters. The principal code approved during October was that for the retail trade, which was finally signed by the President on Oct. 23. The chief obstacle to its acceptance, a contest over the determination of the price of goods, was settled ultimately by forbidding selling below invoice cost plus an allowance for store wages. More than 1,000,000 retailers were affected by the code, despite the fact that stores employing less than five persons in towns below 2,500 population were exempt from the code's provisions.

The National Recovery Administration during October was reorganized in five divisions for the more efficient direction of industry. These were: (1) Extractive industries—metals and coal—and automobiles, shipping and related industries; (2) construction and machinery, including lumber and metal products; (3) chemicals, leather and other manufactures; (4) trades and services, textiles and clothing; (5) compliance, handling all violations of the codes. A special division for amusements is to be attached to the fourth division. The NRA has also begun to work out a system of standardized fair-practice regulations; it has tried to coordinate its work with the AAA; and, as a result of pressure from the Consumers' Advisory Board, has furthered the development of industrial standards.

Criticism of the NRA increased during October, to a point in fact where it seemed that a definite campaign of sabotage was under way. Many newspapers reversed their noncommittal attitude that prevailed during the Summer and voiced openly, even stridently, opposition to the NRA and all its works. Discussion of the proposed newspaper code gave an opportunity to assail the NRA as a threat to the freedom of the press. Men like George W. Wickersham and James M. Beck attacked the NRA as a violation of the Constitution, while industrial leaders began to make it evident that, constitutional or not, the NRA was not for them. Outstanding among this latter group was

Henry Ford, whose continued contempt for the NRA brought about a decision from President Roosevelt on Oct. 27 that the government would not purchase Ford cars and trucks until the famous manufacturer had adhered to the automobile code. Possibly this action, even if Mr. Ford accepts the automobile code, will lead to a Supreme Court test of the NRA.

Some popular reaction against the NRA is a natural consequence of the ballyhoo that accompanied its launching. To be sure, the educational campaign was all to the good since, for the first time, the American people were introduced to certain economic truths—for example the idea that purchasing power might have some connection with industrial prosperity. Moreover, thinking about economic processes became a fairly general exercise whose effect could not be other than beneficial. Yet, by and large, the NRA officials promised too much; they played on the emotions unwisely and in small towns the whipping up of enthusiasm for the NRA was too strongly reminiscent of a Y. M. C. A. drive for funds. As H. L. Mencken said characteristically, "All the town nuisances were set loose to bore and afflict their neighbors."

Labor, strengthened by the privileges bestowed by the National Industrial Recovery Act, has through a multitude of strikes sought to guarantee these privileges, notably that of collective bargaining. Signs have not been lacking that the public was annoyed by this labor unrest which was in some instances regarded as impeding industrial recovery. Moreover, official pronouncements by President Roosevelt, General Johnson and Senator Wagner warned the workers that the strike was a weapon they would do well to abandon. Yet, Senator Wagner himself stated on Oct. 29 that two-thirds of the first 100 labor disputes considered by the National Labor Board were concerned with collective bargaining or recognition of employes' representatives. It is difficult to see how labor can be denied the right to insist on enjoying what it is legally entitled to.

The strike which undoubtedly attracted the most attention was that relating to the "captive coal mines," those owned by and producing for the steel companies. Here the issue was principally one of union recognition. The United Mine Workers, at present one of the strongest unions in America, refused all compromise with the steel magnates, the first tenet of whose religion is belief in the open shop. Several times a settlement seemed about to be reached, but not until Oct. 30, after President Roosevelt had intervened in the dispute, did agreement at last appear probable. On that day it was announced that the steel men would recognize the United Mine Workers, concede the check-off, pay wages in cash instead of scrip and no longer require employes to live in company houses or trade at company stores. If accepted by the union, a strike involving 30,000 miners that has lasted for about three months will have been successfully concluded, with the laurels resting on labor.

Improved employment has been one of the cheerful trends of the times. President Roosevelt in his address on Oct. 22 declared that "at least 4,000,000 have been given employment" since March—a total which later the American Federation of Labor accepted as approximately correct.

Nevertheless, the problem of aiding the jobless is as great as, if not greater than, it has been in other years. Harry L. Hopkins, Federal Relief Administrator, estimated on Oct. 11 that

15,100,000 Americans were receiving unemployment relief. He is laying plans to provide for this army for, as he has said, "the Federal Government is not going to countenance relief on a standard so low that the needy unemployed are only a calory or two ahead of the grim reaper. We are going to see that relief is given quickly and on a basis of reasonable adequacy." This Winter, as never before, the Federal Government will be bearing a large share of the relief burden through loans extended to States and municipalities and through the foodstuffs distributed among the destitute. (See November CURRENT HISTORY, page 207.)

A spur to industry and employment that is frequently forgotten has been provided by the Public Works Administration, established by the National Industrial Recovery Act. Allotment of the $3,300,000,000 at its disposal has moved ahead at a rate which made it seem probable that the entire fund would be allocated by the end of December. One of the more interesting developments during October was the creation of a Public Works Emergency Housing Corporation to build low-cost apartment houses as slum clearance projects.

It has become increasingly probable that President Roosevelt will ask Congress for an additional appropriation to carry on this phase of the recovery program. In such a case it can be safely prophesied that much will be heard about the effectiveness of the measure in stimulating industry and increasing unemployment. The truth seems to be that, even in the beginning, the fund was too small to act as much of a stimulus, especially as the Federal program hardly compensated for the practical cessation of State and municipal building. Moreover, grants have been made slowly, perhaps because the business revival of last Summer made administration leaders believe that the money would not have to be spent after all. Without minimizing what has been done, it is undoubtedly true that if allotments could have been made in July and August instead of September and October the public works program might have had a greater effect on industry generally.

The railroads, now under closer government supervision than ever, have shown fairly steady improvement in their economic position. During September, according to the Interstate Commerce Commission, 15,344 workers were added to railroad payrolls. Sixteen of the forty-six largest roads in the United States are expected to show net earnings for 1933 and many others will show net operating income considerably above 1932. Joseph B. Eastman, Federal Coordinator of Transportation, and an advocate of a single Federal regulation of all transportation in America, has been studying radical methods for eliminating the duplication of effort characteristic of roads in every part of the country. If his studies lead to action, the roads should find themselves on a still sounder footing.

As a means of aiding both the railroads and industry, Mr. Eastman informed the steel companies on Oct. 3 that the roads were prepared to purchase at least 844,525 tons of steel rail and 245,221 tons of fastenings, contingent upon a suitable price. Funds for the expenditure would be advanced to the roads by the Public Works Administration. Since October, 1932, the price of steel rails had been $40 a ton, but Mr. Eastman maintained that at $35 a ton the companies could still make a profit. Late in October, after the steel concerns filed with him a price of $37.75 a ton, Mr. Eastman charged the steel men with

"prior consultation and collusion" to fix the price of steel rails and rejected the bids. On Oct. 20, President Roosevelt, in "the interest of getting people to work," offered a compromise price of $36.375 per ton, which was immediately accepted by the steel men.

At the end of the Summer much was heard about the need for expanding commercial credit, either through open-market operations of the Federal Reserve or through release of deposits frozen in closed banks. Each week for eight weeks the Federal Reserve System purchased $35,000,000 of United States Government securities in the open market, but by the middle of October it had become apparent that no great expansion of credit had resulted. Purchase of securities then began to taper off and a new step was taken. On Oct. 15 it was announced that a deposit liquidation division of the RFC had been formed to release about $1,000,000,000 of the $2,000,000,000 tied up in banks that have closed since Jan. 1. The plan was set forth in a letter on policy which stated: "The amount which depositors can be paid will be governed by the amount of money that can be loaned upon a fair valuation of the assets of the bank based on an orderly liquidation of such assets over a period of from three to five years, after reserving only what will appear sufficient to pay taxes, expenses and interest during the liquidation period."

As an aid to both credit expansion and the impending Federal insurance of bank deposits, the government has been urging banks to sell capital notes or preferred stock to the RFC. Such a move would strengthen the capital structure of many banks, permitting greater credit extension, and would place other banks in a strong enough position for them to participate in the guarantee of deposits. Unless additional capital is secured, thousands of small banks will be unable on Jan. 1 to meet the requirement of the deposit insurance fund that a bank's assets shall equal its liabilities. The banking fraternity as a whole was extremely reluctant to become involved in any such scheme as was proposed by the RFC, partly because it seemed to lead toward greater government control of the heretofore privately owned banks, but pressure from Washington and a realization that in many instances new capital was desperately needed forced capitulation.

The RFC announced on Oct. 13 that it had purchased $50,000,000 of preferred stock in the Continental Illinois National Bank and Trust Company of Chicago, the fifth largest bank in the country. Two weeks later, after the New York banks had already indicated their willingness to accept the RFC plan, the Manufacturers Trust Company of New York City sold $25,000,000 in capital notes to the government corporation. Is this the entering wedge of government ownership of the banks? Probably the bankers as well as the rest of the American public would like to know.

Further government interference with what have been considered the traditional rights of the individual is threatened in the pending investigation by the Federal Trade Commission into the salaries paid to executives and directors of all corporations engaged in interstate commerce with capital and assets of more than $1,000,000. However much industries might resent such an inquiry, there seemed no way of escaping it, especially since it was known that President Roosevelt had been studying possible legislative restriction on high salaries.

Limitation of the salaries of railroad presidents had already been achieved by the Federal Railroad Coordinator, and in hearings on the code for the motion-picture industry it became apparent that NRA officials had little sympathy for the tremendous compensation received by movie actors and executives. Obviously, an attack on the high-salaried class, if carried far enough, would have profound social as well as economic repercussions.

Strict government control of the oil industry was inaugurated by Secretary Ickes on Oct. 16 with the issue of an order fixing the price of oil products throughout the country. The schedule established minimum wholesale and retail prices for petroleum with differentials for various areas. Gasoline prices were regulated on the basis of minimum prices at refineries with differentials for filling-station prices. Three days later Mr. Ickes laid down regulations for the control of oil production in an effort to coordinate supply and demand. Previously he had issued a warning that, if necessary, oil shipped in interstate commerce would be curtailed because, as he said, "there is no use fixing prices unless you keep demand and supply within speaking distance."

From the Senate Office Building in Washington continued to emanate sensations as the affairs of the big bankers and of the shipping companies were probed. Dillon, Read & Co. came through the ordeal without arousing much public excitement. To be sure, it was shown that the firm had made large profits and had floated South American bonds that now are in default, but the public could find little in such a record that was especially reprehensible. On the other hand, investigation of the Chase National Bank of New York and of the operations of its former president, Albert H. Wiggin, brought startling revelations.

Mr. Wiggin admitted that he was receiving an annual compensation of $100,000 a year for life from the bank, though no longer its head, in return for obtaining depositors for the bank and giving advice on credit matters. Because of the general criticism that immediately arose, Mr. Wiggin later requested the bank to discontinue the salary. Operations in the bank's stock by investment affiliates of the institution were exposed and on Oct. 27 led to a repudiation of that policy by Winthrop W. Aldrich, now president of the Chase. Among other things, Mr. Wiggin was forced to disclose that several corporations which his family controlled operated in the stock of the bank and sold the stock short in the Fall of 1929. Though Ferdinand Pecora, counsel to the Senate Banking and Currency Committee, made no attempt to point up the admissions from Mr. Wiggin, "the record of his transactions," said *The New York Times* in an editorial on Nov. 2, "has brought astonishment and pain to all his friends and former admirers."

The investigation into ocean mail contracts was no less sensational. Senator Black, chairman of the investigating committee, summed up much of the evidence presented when he said "that the ocean mail contract system of ship subsidy as administered during the past twelve years was not for the benefit of the best operators but the best promoters." One of the more interesting disclosures was the offer of the American Farm Bureau Federation to carry on an "educational campaign" among the farmers for an adequate merchant marine, provided the American Ship Owners Association would contribute $94,750 toward expenses. Even when the price was reduced to $30,000 the

shipping men were not interested; nor could $15,000 attract them. Presumably the matter of ocean mail contracts will be further aired when Congress convenes in January.

For an off-year the elections on Nov. 7 held more than usual interest. In first place, as far as the country as a whole was concerned, was the vote for repeal of the Eighteenth Amendment in Ohio, Pennsylvania, Kentucky, North Carolina, South Carolina and Utah. Though the Carolinas had the distinction of voting against repeal, the wet victories in Ohio, Pennsylvania and Utah assured that when conventions in these States have ratified repeal, the noble experiment will have passed into history.

Because of its possible political significance, the Mayoralty election in New York City could not be ignored. The three principal candidates were John P. O'Brien, the Mayor and regular Tammany nominee; Joseph V. McKee and Fiorello H. LaGuardia, Progressive Republican, the candidate of the Fusion party, composed of reformers, independent liberals and Old Guard Republicans. While based supposedly on the issue of honest government, the campaign was fought out principally on the basis of the cries, "You're a liar!" "You're another!" President Roosevelt kept out of the fracas, but the support given by Postmaster General Farley to Mr. McKee made it seem probable that the administration was willing to take a chance on capturing from Tammany the Democratic machine in New York City. Mr. LaGuardia in the end won the election by a comfortable plurality, bringing to an end sixteen years of Tammany rule. While the election could scarcely be interpreted as a rebuff for the President, Mr. LaGuardia's success may portend the beginning of a liberal movement within the Republican party itself.

THE INSULAR POSSESSIONS

Philippine independence seems as far away as ever. After months of political manoeuvring the Philippine Legislature early in October declined to accept the Hawes-Cutting Independence Act in its present form. A new Filipino mission is expected to be sent to Washington to request that the act be amended before it lapses on Jan. 17.

Governor Robert H. Gore of Puerto Rico has discovered that his post is no sinecure. During October he was confronted with a strike in the University of Puerto Rico as a result of his appointment of a Socialist as trustee of the university. Bombs, it was reported, were found in his Summer residence and in his home at San Juan and there have been numerous protests against his handling of government appointments. The trouble, dispatches indicate, arises from the local political situation. The Liberal party, after years of power, has been supplanted by a coalition of the Socialist and Union Republican parties which support Governor Gore. The new situation, according to a Puerto Rican official, "has angered the Liberal leaders, who were accustomed to 'bossing' every Governor. * * * The workingmen and the country people, the great majority of the population of the island, have no interest in these political squabbles. * * * The people are more interested in getting work. * * * For years our people were dying of hunger, with no work to do. Now, under the Roosevelt-Gore program, they are getting work, opening roads, building schools, and so on."

Minority Rule in Cuba

By J. LLOYD MECHAM
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DESPITE the many predictions that the Grau San Martin government in Cuba would be quickly overthrown, it continued during October to maintain a precarious tenure of power. It is patently a minority government—a student-army régime. Though it has little support among the Cuban people and is menaced by the paralysis of a general strike, it has rejected all offers of the opposition to assist in forming a coalition that would really represent the sentiment of the country.

The present régime was established in Cuba on Sept. 5, when the Cespedes government was overthrown by a barracks revolution headed by Fulgencio Batista, an army sergeant. The Student Directorate and certain Left Wing professors cooperated with the enlisted men to form a government with Dr. Ramon Grau San Martin at the head. Repeated efforts to induce the student-army government to accept the cooperation of opposing factions to form a national government have all ended in failure. "This government cannot be one of concentration," said President Grau. "It must be a homogeneous government. There are two ways of maintaining power: one by compromise, acting in accord with all sections of opinion, and the other following a straight line. The first is much easier, but the second offers the advantage of a better response to national desires and the dictates of public conscience." As a result, the two powerful opposition groups which were largely responsible for the overthrow of Machado, the ABC and the Union Nacionalista, are standing aside doing nothing either to oppose or to support the government, confident that its early collapse is inevitable. It is thought that the end will come because of a financial crisis, if not earlier through a military coup.

Revenues have declined so alarmingly that Colonel Despaigne, Secretary of the Treasury, has urged President Grau to declare a moratorium on the foreign debt. Many believe that this is the only measure which, in view of business paralysis and the virtual cessation of tax collections, can avert a financial crisis. Yet the Grau government fears the adverse effect which a moratorium would have on its prospects of American recognition. If the Cuban Government does not soon receive recognition from the United States, which will facilitate the financing of the sugar harvest, the sugar industry will be ruined. Since 80 per cent of the national income depends upon sugar, the failure of the sugar crop this Winter would so seriously reduce the government's revenue that not even a moratorium could enable it to avert a crisis.

President Grau is therefore desperately seeking American recognition. To allay suspicion and distrust he denies alleged radical tendencies. "We are called radicals," he said in a radio broadcast to the United States, "because we wish to give our countrymen a safe and secure feeling of freedom and self-determination; we are called radicals because we are closely following in the tracks of your own National

Recovery Act; we are called Communists because we endeavor to restore the buying power of the Cuban people." In a subsequent statement, on Oct. 28, he said: "I am not in accord with anti-American propaganda, which has almost subsided. It relieved a feeling long suppressed and was directed against certain interests which apparently sustained the Machado tyranny." Regarding communism and fascism he said: "I consider both as thoroughly anachronistic with our social development and ideals."

Washington, however, is reluctant to accept Dr. Grau's assurances that he has the situation well in hand. With due allowance for the victory of the army over the 526 officers in the National Hotel, the putting down of the Blas Hernandez revolt in the interior, and the quelling of Communist agitation (called a "massacre" by the opposition), conditions in Cuba approximate anarchy. Strikes have become so numerous as to be well-nigh general. Business and transport are paralyzed. In the interior many of the sugar centrals are still under the control of workers organized in soviets. In the face of these growing disorders, dissension and division are appearing within the ranks of the student-army coalition. The ABC Radical group, which broke away from the main ABC body to support Dr. Grau, issued a proclamation on Oct. 21 bitterly criticizing the government and asserting that it had failed to establish peace, order, justice and liberty. In the army Colonel Batista, now Chief of Staff, is kept busy suppressing communistic agitation. A fear pervades the island that a schism will occur between the army and the student groups—that when revenues fail and the soldiers can no longer be paid, Grau will go the way of Cespedes.

President Grau restored full autonomy to the National University, by executive decree on Oct. 11. It was to reopen some time in November. The students demanded university autonomy as the price of their withdrawal from politics and return to classes.

MEXICO'S SIX-YEAR PLAN

In emulation of Soviet Russia's organized governmental planning, the Mexican National Revolutionary party, in conjunction with committees from the various branches of the Mexican Government, is working on a six-year plan. Through this plan, which will be put in operation after the general elections on July 1, 1934, it is hoped to achieve economic unification and "institutional" government in place of the traditional "personal" government. A major feature of the plan is an attack upon poverty, especially the poverty of the agricultural peon. Consequently, to remedy the debt servitude of the farmer, the National Central Agricultural Bank of Credit will be strengthened and a chain of smaller banks established to afford easy credit to the small farmer. All sales of produce will be handled through cooperatives. "There is no thought," says General Calles, "of aiming to end the private profit system or private initiative in general. On the contrary, the aim is to harness up the selfish motive of gain in such a way as to serve the interests of the country and in particular to increase production."

Mexico is manifesting keen interest in the forthcoming Pan-American Conference at Montevideo. Dr. Puig Casauranc, Minister of Foreign Affairs and head of the Mexican delegation, visited Washington to discuss the problems of the conference with President Roosevelt and Secretary

Hull. Dr. Puig, it is said, sought to have the questions of governmental indebtedness to private investors and the revaluation of silver placed on the agenda of the conference.

Mexico's great interest in the Montevideo conference has commercial as well as political ends in view. It is felt that Latin America, because of its geographical, racial and cultural relationships with Mexico, is a logical market for Mexican staples and manufactured articles.

Autonomy is to be granted the National University of Mexico. President Rodriguez has proposed, and the Chamber of Deputies has approved, an annual subsidy of 10,000,000 pesos to the university. Failure to operate within this budget will result in its return to governmental supervision. Strict government control of the university was held responsible for riotous student demonstrations. The situation became so bad that on Oct. 11 twenty professors of law in the university resigned because of "the lack of discipline and the lowering of the intellectual level of the students and, in many cases, of the teachers also." Autonomy has also been restored to the University of Guadalajara, and it is hoped that this measure along with the election of a new rector, Manuel Gomez Morin, will pacify that institution, where the students rioted on Oct. 24 and ousted the former rector by force.

PANAMAN PRESIDENT AT WASHINGTON

In the interest of a better understanding between the United States and the Republic of Panama, President Harmodio Arias of Panama visited President Roosevelt in Washington early in October. Ever since the rejection of the treaty of 1926 by the Panaman Assembly, numerous difficulties have clouded the relations of the two countries. Basically the problem is that of the position of the United States as a tenant in the Canal Zone. The people of Panama feel that the yearly rental of $250,000 which the United States pays to Panama is unfair to the "landlord." Moreover, because of the vagueness of the treaty of 1903, the United States is viewed as a tenant that is consistently infringing the terms of the lease. Particular problems which President Arias came to discuss with President Roosevelt were: (1) The extent to which the United States should participate in unemployment relief in Panama because of workmen who lost jobs in the Canal Zone and have become public charges in Panama; (2) sovereignty over New Cristobal, an almost exclusively American community which is administered by Panama; (3) restriction of competition offered to private enterprise in Panama by army commissaries in the Zone; and (4) control of radio, a right which is assumed by the United States.

President Roosevelt and President Arias issued a joint statement on Oct. 17. President Roosevelt promised that the American Government would curtail the practices of the army commissaries which interfere with legitimate native business. He also agreed to ask Congress for an appropriation to repatriate aliens in the Republic of Panama who went there to work on canal projects. These aliens, principally from the West Indies, are estimated to number 50,000. Finally it was agreed that "the government of the United States would view sympathetically any request which the government of Panama might make for the solution by arbitration of any important question which might arise between the two

governments and may appear impracticable of decision by direct negotiation, provided that such question is purely economic in its nature and does not affect the maintenance, operation, sanitation and protection of the canal."

SALVADOREAN PLANS AT MONTEVIDEO

The government of El Salvador sees in the forthcoming Seventh Pan-American Conference at Montevideo an opportunity to challenge the Central American Treaty of 1923. This so-called non-recognition treaty has restrained the United States, Guatemala, Nicaragua and Honduras from recognizing the present Salvadorean régime, which obtained office through a *coup d'état* in December, 1931. The government of Costa Rica denounced the pact in December, 1932, on the ground that it infringed the sovereignty of the Central American republics. The Salvadorean Government has also denounced the treaty and hopes through common action at Montevideo to replace it by "a new relationship based on the policy of recognition of all governments, revolutionary or otherwise, as enunciated by Genaro Estrada [former Mexican Minister of Foreign Affairs]."

NICARAGUA TO SEEK MORATORIUM

Colonel Irving Lindberg, Collector General of Customs and a member of the High Commission of Nicaragua, announced on Oct. 11 that the Nicaraguan Government would seek a temporary moratorium on its bonded indebtedness in the United States and Great Britain. Revenues have fallen to half the 1929 figures and some relief from the amortization charges on the bonded indebtedness of the republic is considered imperative at Managua.

The National Bank of Nicaragua has advanced a loan of $1,500,000 to the government, and with this timely assistance President Sacasa hopes to balance the current budget.

South American Internationalism

By HENRY GRATTAN DOYLE
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WHEN the record of the year is finally written the last months of 1933 will be noteworthy for unusual activity in the sphere of international affairs in South America. The visit of President Justo of Argentina to President Vargas of Brazil in early October was followed by the assembling in Rio de Janeiro of the conferees concerned in the Leticia dispute. Early November found the League of Nations Commission on the Chaco already in South America, and delegates on the way from a number of the American States to the Seventh Pan-American Conference at Montevideo.

In economic matters as well, the period will doubtless be significant, whether the question of debts, financing and bond issues is discussed at Montevideo or not. The Washington economic conferences with South American nations are continuing, though reports are not yet available as to the progress made. Discussions of tariffs, control of exchange, trade

agreements and so forth are very much on the tapis.

President Justo, on landing at Rio de Janeiro on Oct. 7, received a welcome comparable to that extended to Theodore Roosevelt. Military and naval forces paid him honor, and there was a great popular demonstration as well. On Oct. 10 an anti-war treaty was signed by representatives of Argentina and Brazil, who were joined by Chile, Mexico, Paraguay and Uruguay, which also accepted the pact. Other treaties signed at the same time dealt with aerial navigation, extradition of fugitives from justice, suppression of smuggling, tourist and cultural exchange and permanent commercial expositions. On Oct. 11, President Justo left Rio for Sao Paulo, where he spent three days, returning to Argentina from the port of Santos on Oct. 14.

Only reports of political disorders occurring or in prospect in the two countries marred the fair skies of the Brazilian's visit. In Argentina, an abortive revolt resulted in many arrests just as the President was leaving for Brazil, while clashes between rival "civic guard" organizations occurred throughout the month. These organizations found their inception in the "Civic Legion" formed by supporters of former President Uriburu after his successful revolution. There are now three such bodies in Argentina —the original Legión Cívica, of conservative, Fascist tendencies; the Socialist Red Guard; and the National Civic Militia of the Radical party, which was driven from power by the Uriburu revolution of 1930, and which has remained a thorn in the side of the Argentine Government ever since that time.

Dispatches to *The New York Times* from Buenos Aires on Oct. 27 and 28 reported that the Vargas régime in Brazil was facing the prospect of early revolt in the southern States of Sao Paulo and Rio Grande do Sul unless the President indicated what his intentions were as to restoration of constitutional government. Reports of present or prospective difficulties were denied by the Brazilian Information Service in New York, which stated that the new Constituent Assembly elected in Brazil was to meet on Nov. 15 to choose a new President.

THE CHACO NEGOTIATIONS

Breakdown of efforts by the ABCP nations to find an acceptable formula for the solution of the Chaco dispute, as reported here last month, placed responsibility for further negotiations in the hands of the League of Nations, which proceeded with its plans for sending a League commission to the Chaco. A Paraguayan proposal for an armistice between the two armies in the Chaco, in order to facilitate the work of the League commission, came before the League's Chaco Committee at Geneva on Oct. 13, but was not acted upon. Bolivia did not support the suggestion.

Recent Argentine and Brazilian efforts to bring about peace in the Chaco have met with no success. The visit of President Justo of Argentina to President Vargas of Brazil was the occasion for resumption of these efforts. On Oct. 11 the Foreign Ministers of the two powers conferred secretly with the Bolivian and Paraguayan Ministers to Rio. Two days later the two Presidents sent a joint appeal to Bolivia and Paraguay, urging them to find a formula for settlement of the war. A formula reported to have been drawn up by the two Chief Executives and presented to the combatants provided for an arbitral court composed of Argentina, Brazil and the United States, to which the

two principals should present within thirty days their designation of the zone subject to arbitration. If they could not agree upon an arbitral zone within thirty days, then the Presidents of Brazil and Argentina were to determine the zone. An immediate armistice was also proposed. The report indicated that inclusion of the United States in the arbitral court was a concession to Bolivia, which opposes Argentina as a member of any proposed tribunal, preferring the United States. On Oct. 25 it was reported that Paraguay would reject the proposed formula, maintaining her previous position in favor of unrestricted arbitration.

Heavy fighting in the Chaco was reported during the latter part of October. Paraguayan reports claimed important gains, including a six-mile advance and occupation of five miles of Bolivian lines, while Bolivians claimed that heavy Paraguayan attacks had been repulsed with severe losses. Fifty thousand Paraguayan troops were reported as engaged. A general Bolivian retirement, especially in the Pozo Favorito, Francia, Zenteno and Pirizal sectors, was claimed in an official Paraguayan communiqué on Nov. 1. It was announced on Oct. 16 that Alberto Salamanca, son of President Daniel Salamanca of Bolivia, had been killed in the Chaco fighting. He had been in the Chaco since September, 1932.

LETICIA CONFERENCE OPENS

The conference to settle the Leticia dispute opened in Rio de Janeiro on Oct. 25, having been postponed from Oct. 20 because of the non-arrival of some of the delegates. The opening session was extremely cordial. Afranio de Mello Franco, the Brazilian Foreign Minister, who presided, expressed his belief that a conciliation formula would soon be found, while the leaders of the two delegations, Foreign Minister Urdaneta Arbeláez of Colombia and Dr. Víctor Maúrtua of Peru, declared their respective countries desired peace in the Amazon Valley.

Peru, according to a report on Oct. 18, invited Ecuador to begin conversations looking toward a settlement of their conflicting boundary claims, but refused to permit Ecuador to send an observer to the conference at Rio. Peru was said to prefer bilateral settlements separately with Colombia and Peru to a general Upper Amazon conference. The Ecuadorean Congress later in the month passed a resolution declaring it would not recognize any agreements reached at Rio de Janeiro without the participation of Ecuador.

REMOVAL OF EQUADOR'S PRESIDENT

The Senate of Ecuador, on Oct. 18, unanimously voted to remove from office President Juan de Dios Martínez Mera, thus ending a struggle between him and Congress, which began on Aug. 15, five days after the present session was convened. Ten minority members of the Senate, who had supported the President, did not attend the meeting at which the removal was voted, all twenty-two members present voting in favor of the resolution. Premier Abelardo Montalvo became Acting President.

Final action in the controversy followed a series of events which in the main were a repetition of those of August and September. The Cabinet appointed by the President on Oct. 8 resigned on Oct. 10. In the meantime, the Chamber of Deputies had considered impeachment charges against the President, forwarding them to the Senate on Oct. 10. The impeachment

trial itself lasted for eleven hours, was held in secret and was attended by a group of army officers also pledged to secrecy, according to reports, while troops known to be loyal to Congress guarded the legislative palace to prevent a *coup d'état.*

According to reports on Oct. 27, the Provisional President was having difficulty in forming a Cabinet because of fears on the part of prospective appointees that they would be rebuffed by Congress. On that date only two Ministers were reported as willing to serve. On Nov. 1 Deputy Velasco Ibarra announced his candidacy for the Presidency.

DISORDERS IN PERU AND URUGUAY

The harmony reported as prevailing in Peru under the conciliatory régime of President Oscar P. Benavides was shattered by the announcement on Oct. 22 that assassins had planned to take his life. Eight persons, one a German citizen, were reported to have been arrested after the explosion of a bomb which the conspirators were testing outside Lima. During the preceding week twenty persons were arrested by the police, who also seized a quantity of explosives. On Oct. 24 a decree was issued forbidding all public meetings not approved by the government forty-eight hours in advance.

Uruguay likewise suspended the constitutional right of assembly by decree of President Gabriel Terra on Oct. 26, following the death of a former opposition Deputy and the wounding of two others while resisting arrest by police. Meetings of political opponents of the President have been causing unrest leading to crimes, according to the decree, which promises that the prohibition of public gatherings will be lifted whenever the government thinks the time has come for the parties to initiate the campaign for the election of a President under the new Constitution.

The Dilemma of British Policy

By J. BARTLET BREBNER
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THE United Kingdom has for about a century attempted to pursue two different policies, that of a European country and that of a world-wide empire anxious for friendly relations with the United States. The dilemma thus set up has been accentuated by recent events to the point of dividing the nation, not only in a general sense but in several particular issues as well.

A most striking instance of this has been seen during October in the possibility of war as an outcome of recent European events and broader international changes. The Labor party at its conference unanimously accepted Sir Charles Trevelyan's motion to boycott war, even to the extent of resorting to a general strike. At the same time Lord Lloyd was carrying a motion at the Conservative party conference which recorded "grave anxiety over the inadequacy of imperial defense." A number of other Conservatives and naval

men struck for increased naval building while the iron was hot and Walter Runciman joined their chorus. The press barons, Rothemere and Beaverbrook, tried to fish in the troubled waters by demanding that Great Britain denounce her Continental obligations, notably Locarno, and concentrate on her empire. Mr. Baldwin announced that what Britain had signed she would observe. Labor asked whether that included the Kellogg pact. Finally the question became the transcendent issue in the East Fulham by-election, a solid Conservative constituency, and Labor by effecting a turnover of 15,000 votes won a mandate for its pacific policies. That mandate also figured largely in the municipal elections on Nov. 1 when Labor made substantial gains.

Almost as striking, although much more intricate and limited in its scope, was the matter of currency fluctuation and war debts. Great Britain has been determining the price of gold in the London market by reference to the French franc, and it was reported that much of her ear-marked gold in New York had been going to Paris to support the franc in the face of American dollar depreciation. At the same time a Brtish mission in Washington was trying to close a bargain on the war debts, coupling with it, according to rumor, stabilization of the dollar-pound relationship. Into this situation President Roosevelt projected his scheme of buying gold above the London rate, first at home and finally abroad.

Great Britain wanted a debt settlement, a pound depreciated from 5 to 10 per cent from the dollar, and a gold franc. The United States, seeking to raise domestic prices and to bring the pound to its $4.86 parity, was not so greatly concerned about the debt settlement or the franc. It was reported that England and France bought dollars to prevent Roosevelt's gold purchase scheme from depreciating the dollar, but it seemed more likely that exported American funds were being repatriated from a war-threatened Europe.

Anglo-American and British imperial relations were complex in themselves, quite apart from their clash with Anglo-European interests. The Argentine commercial treaty became a reality on Oct. 19, when British investors took up over £13,000,000 of a 4-per-cent sterling loan to release an equal amount of "frozen" credits in Argentina. At the same time it was revealed that under the treaty Argentina bound herself to keep "frozen" the credits of other countries—including the United States and Canada—until they, too, made loans. British loans were not to be used to pay American credits. On the imperial side there were rumblings for and against the working of the Ottawa agreements and the British tariffs, notably concerning Canada's anxiety to cut down British imports of Russian wood products and the increasing difficulty of breaking through the tariff barriers which accompanied the British Agricultural Marketing Act. The Milk Board started its operations in October; wheat is already protected by tariffs; and schemes for pigs and potatoes are nearing completion.

Meanwhile domestic economic recovery has become distinctly more marked. Practically every branch of production reported increases and even the decline in cotton textiles seemed to be checked. At long last, retail trade showed an increase over 1932. The amount of idle shipping was reduced. Sheffield hardware enjoyed a boom because of boycotts on German goods. Unemployment fell by 74,410 in September to a total of 2,336,727, a

reduction of 521,284 during 1933. The boys and girls leaving school were finding work, for an increase during 1933 of 792,000 at work raised the total of insured employed to almost 10,000,000. The insurance fund for the period since March showed a credit surplus of £3,500,000.

The national revenue position was better than for years, for the deficit on Oct. 31 was about £59,000,000 instead of £96,000,000 in 1932 or the normal in good years of about £70,000,000. On Oct. 3, £150,000,000 of 4½ per cent obligations were converted to 2½ per cent long term. The foreign trade figures showed that Great Britain was partially regaining her old position. Exports and imports as compared with 1932 were £35,620,000 (£29,130,000) and £57,770,000 (£54,267,000) and the rise was regarded as being particularly healthy because the added exports were manufactured goods and the imports raw materials. Mr. Runciman announced that in the new trade treaties particular efforts will be made to widen foreign markets for English cottons.

IRISH POLITICAL UNREST

Recent events in the Irish Free State have forced President de Valera to recognize that his is the middle position, with the Irish Republican Army to the Left and the United Ireland party to the Right. He has been driven to show overt interest in the regular army and police and to issue clear warning to both groups of extremists that the government would use its force to curb their resort to it. This situation has revived the belief that a general election will be held soon to secure a mandate for forcible preservation of order. The local elections usually held in November have been postponed until July. [For a general picture of the Irish situation, see the article by Denis Gwynn on page 315.]

The Senate on Oct. 31 passed the act abolishing the right of appeal to the Privy Council, but the program of legislation designed to break all ties between the Free State and Great Britain is not yet complete. The Dail was to meet again on Nov. 15.

CANADIAN REVIVAL

Canada's mines and forests have recently more than made up for the deficiencies of her prairie farms. Canada depends for her economic strength upon her export trade, so that the world surplus of wheat, its low price and the abnormally small harvest of 1933 were serious blows. Yet advancing commodity prices and economic revival elsewhere have been steadily raising the value of Canadian exports. Moreover, increased demand in Europe and the Orient for Canadian nickel and copper and in the United States for nickel and wood products has strikingly altered Canada's trading position. In September, for instance, as compared with 1932, exports amounted to $57,785,000 ($42,187,000) and imports to $38,698,000 ($34,504,000.) The favorable balance, a climax to a total for the preceding twelve months of $114,000,000, had beneficial effects upon the value of the Canadian dollar and upon government revenue.

The broad economic picture, however, was necessarily spotty. The farmers were badly off, for, even with government support, wheat dropped at one time to 55 cents a bushel and recovered only to about 61 cents. Seasonal influences and some overproduction cut into industrial activity and employment. The paper industry, on the other hand, received a new lease on life when the Canadian producers came, as it were, under the NRA. At a

conference in Washington a price armistice of three weeks at $41 a ton was concluded on Oct. 24 on the understanding that a code would be drawn up and that in the meantime the Canadian producers would do what they have hitherto failed to do during the depression—form a trade association for self-regulation.

The unemployment relief situation remained serious and promised to be worse during the Winter, but an agreement was reached for a modified public works program under which the Dominion would meet one-third of the labor costs of municipal and provincial projects. In addition, work camps of various sorts were to be established throughout the Dominion, providing lodging, sustenance and a small daily money allowance.

Canadian exchange remained to a considerable degree at the mercy of Great Britain and the United States; yet the result was not unfavorable to Canada, since practical parity existed among the three. The Dominion felt reassured when $169,000,000 of 5½ per cent tax-free bonds, $40,000,000 of short-term obligations and $16,000,000 of new borrowing were oversubscribed in a long-term conversion loan carrying about 4 per cent. Canadian gold producers were cheered by President Roosevelt's policy of purchasing gold abroad at a rate above that in London, since it was suggested that the United States could avoid difficulties with Great Britain and France by buying gold in Canada. Though the report of the MacMillan Commission on banking has not been made public, Premier Bennett, in a speech at Winnipeg on Oct. 11, seemed to indicate his conversion to the idea of a Canadian central bank.

The Tariff Board, after involved hearings on application from the British woolen manufacturers, has ruled out jurisdiction over customs administrative regulations. In the last five years these have grown to be both extremely discouraging and occasionally unpredictable to importers, and in addition to the British protests against them a joint report from the Chambers of Commerce of the United States and Canada recommended extensive simplification and climination

Three federal by-elections on Oct. 23 illustrated in New Brunswick, Quebec and Saskatchewan the natural trend away from the Conservative party now in power. The Liberals captured all three seats, and the reversal in New Brunswick was particularly notable. Coupled with the Liberal landslide in the Nova Scotian provincial elections, these victories greatly heartened the Opposition.

AUSTRALIA'S REWARD

Prime Minister J. A. Lyons of Australia introduced at Canberra on Oct. 4 the budget for 1933-34. With a surplus in hand of £3,546,000 instead of a deficit, he felt entitled to remit £7,350,000 in direct and indirect taxation for next year and to increase pension and civil service salary rates. Instead of accepting the scheme submitted by the Tariff Commission for a general tariff structure, with reductions and exceptions to meet the spirit of the Ottawa agreements, he preferred reductions in the present primage duties and tariffs totaling about 17½ per cent on goods entitled to admission under the British and Canadian preferential tariffs.

THE NEW ZEALAND TARIFF

The New Zealand Government is still feeling its way in domestic finance and tariff revision in the spirit of the Ottawa agreements. The Tariff Commission, which has been hearing representations from British export-

ers and collecting evidence in New Zealand, has so far set forth no policy. The farmers would like tariffs reduced as a lever against British quota restrictions on their products, but the tariff revenue is an important element in the national budget. On Oct. 5, £5,000,000 in 5 per cent bonds was converted to 3½ per cent in London.

SOUTH AFRICAN FUSION

General Hertzog, Prime Minister of South Africa, invaded the Congress of the Cape Nationalists early in October in an effort to overcome the movement there headed by Dr. Malan, which objected to a fusion with the South African party. After a plain-spoken debate Dr. Malan's faction was victorious and promptly transferred its activities to the Orange Free State Nationalist Congress. Relations between Hertzog and Smuts remained sympathetic, and fusion seemed to be real enough to postpone the necessity of a general election. The South African Government converted, on Oct. 10, £13,000,000 maturing 5 per cent bonds to 3 per cent in London.

INDIAN SELF-GOVERNMENT

The Joint Select Committee on Indian constitutional reform recommenced its sessions on the White Paper on Oct. 3. Almost continuous meetings were held in order to do as much as possible before Parliament reassembled on Nov. 7, when it would be necessary to reconstitute the committee. A number of Indian delegates were not in attendance, a circumstance which somewhat reflected Indian fears that the Conservative government means seriously to modify the White Paper scheme. For the sixth time the Conservatives debated the question at their party conference at Birmingham on Oct. 6 and the Die-Hards were defeated (737 to 344) only after Neville Chamberlain had said that the government would treat the vote as one of confidence. It was notable that the party opposition had gained in strength since the last vote in June, 1933.

THE INDO-JAPANESE CONFERENCES

Confusing reports have been received concerning the negotiations in which India, Great Britain and Japan are taking part on Indian tariffs on cotton goods and purchases of Indian raw cotton. Presumably the reason is that there were several conferences—one between Indian and Japanase governmental delegations at Simla, which began on Sept. 22, one between Indian and Japanese trade delegations at Delhi, one between Indian and British trade delegations at Bombay and one between Japanese and British trade delegations in India, preliminary to a general trade conference that is being planned between the two countries in London.

Japan began the protracted negotiations with the advantage over India, because her boycott of Indian raw cotton had been an effective counter to the raising of the Indian tariff on Japanese cotton goods. After a month of deadlock, however, the announcement of the Russo-American *rapprochement* brought prompt Japanese acceptance of an Indian import quota on cotton goods and a promise to purchase a quota of Indian raw cotton. Details were lacking, but early in November it was reported that the Delhi trade conference was still disputing the character and particulars of the settlement. Meanwhile, the Bombay and Lancashire mill owners had reached agreement for preferential tariffs on British cotton goods in return for increased British purchases of Indian raw cotton.

France Changes Premiers Again

By GILBERT CHINARD
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ALL the efforts of the French Cabinet headed by Premier Daladier to balance the budget proved futile in face of the Socialist opposition to salary cuts for civil servants. After fighting strenuously for his financial policies for three days, while the Chamber of Deputies was surrounded by police, M. Daladier failed to obtain a vote of confidence, and on Oct. 23 placed his resignation in the hands of the President.

The defeat of the Cabinet resulted from the refusal of Léon Blum, the Socialist leader, to endorse the proposed economies in combination with the loss of support from the Centre. After warning the Chamber that failure to balance the budget would mean inflation "within five or six weeks" and calling attention to the fact that 200,000,000 gold francs had been withdrawn from the Bank of France on the day before, M. Daladier in a last effort to conciliate the Socialists accepted a compromise on his original proposal to cut civil service salaries by 10 per cent. At the last minute, however, M. Blum refused to accept the compromise, and the Cabinet was defeated by 329 votes to 241.

As soon as the plans of Finance Minister Lamoureux became known they met with violent opposition in many quarters. Admitting a deficit of 6,000,000,000 francs, a very moderate estimate according to some experts, the government proposed to save 2,500,000,000 francs through economies and to raise an equal amount through new taxation and stricter enforcement of existing taxes. About 800,000,000 francs were to be raised through the minting of new money, nickel coins and new five-franc silver pieces; a saving of 1,300,000,000 francs was to be effected by a reduction of 5 per cent in government salaries and pensions above 20,000 francs; administrative expenses in all departments of the government had already been drastically reduced during the Summer by a special commission. All these measures were fiercely opposed by the Socialists as well as the unions of school teachers and postoffice employes. The proposed tax on the sale of armaments, which was to bring in a revenue of 65,000,000 francs, was considered by the Socialists a poor substitute for the State monopoly they advocated.

Equally unpopular were the new taxes proposed by the government. It was pointed out that incomes had constantly decreased in recent years, the total number of taxable persons having fallen from 2,813,000 in 1928 to 2,080,000 in 1932, and that the amount of income was less in the upper as well as in the lower brackets. The new tax of about 15 cents per gallon on gasoline and all motor fuels was sharply criticized as making the use of automobiles practically prohibitive. Finally, it was urged that industry would be deprived of a large amount of working capital by the deduction at the source of a 15 per cent tax on coupons of French and foreign

bonds and on stock dividends, while Treasury and State bonds were exempted. On the whole, while M. Lamoureux had attempted to give some satisfaction to the Socialists and to the Centre, he succeeded only in arousing antagonism in both quarters.

The lack of any definite majority in the Chamber made the task of forming a new Cabinet a very difficult one. On Oct. 25, Albert Sarraut, Minister of Colonies in the Daladier Cabinet, was asked by President Lebrun to assume the responsibility. He accepted next day. After failing to secure the cooperation of the dissident Socialists headed by Renaudel and Pierre Marquet, M. Sarraut decided to reorganize the preceding Cabinet practically without change. The Finance portfolio was taken by Senator Abel Gardey, an expert on financial questions, and Charles Delesalle replaced Pierre Cot as Under-Secretary of Air. It was hoped that M. Sarraut, a member of the Left Democratic party in the Senate, and nominally a Radical-Socialist but in fact an independent, would be able to obtain the full support of the Radical-Socialists and the Centre, thus forming a majority which would not have to depend on the support of the Socialists; but political experts did not predict a long life for the Sarraut Cabinet.

Born at Bordeaux in 1872, M. Sarraut was elected to the Chamber of Deputies in 1902 and has served in a dozen French Cabinets. He owns and publishes with his brother Maurice an important provincial paper, *La Dépêche de Toulouse*. He was twice Governor General of Indo-China, where his administration was remarkably successful. He accompanied Briand to the Washington Conference on limitation of naval armaments in 1921. After Briand's departure he remained in charge of the delegation and had to bear the brunt of the discussion which followed. He is an expert on naval and colonial questions, but in the past has paid little attention to financial problems.

Earlier in October, the annual Congress of the Radical-Socialists was held at Vichy. In the absence of M. Herriot, then seriously ill, the delegates failed to take a firm stand on a number of important questions. They went on record as unequivocally against inflation, but did not recommend any specific measures to balance the budget. They denounced Hitlerism, but at the same time they recommended the adoption of such a *modus vivendi* as would prevent another war and opposed any increase in armaments. Neither the attitude of the congress, nor the speeches delivered in the Chamber of Deputies during the discussion of the budget gave any indication of the course to be followed by the new government. Caught between the civil servants, who oppose any reduction of their salaries, and the taxpayers, who seem to have reached the limit of their taxable capacity, the government is facing a deficit which increases every day. All agree that drastic remedies must be resorted to, but so far no program has been found that could be expected to receive a majority vote in the Chamber of Deputies.

During August tax returns were nearly 136,000,000 francs under the budget estimate. Direct taxes were almost 70,000,000 francs below the returns for the same period of last year. Indirect receipts during the first eight months of 1933 showed a deficit of 1,175,000,000 francs, and it was expected to reach 1,500,000,000 francs before the end of the year.

For the first nine months of this year imports exceeded exports by

8,136,344,000 francs, the totals being, imports, 21,607,508,000 francs, and exports, 13,472,164,000 francs. These figures alone would explain the attitude of the chambers of commerce and trade associations in protesting that new taxes on manufactured goods would force French industrialists out of business.

In spite of the rise of Hitlerism and a great deal of war talk, French public opinion does not appear to have been seriously alarmed by developments in Germany. The reduction of military service to one year has been offset by the building of new fortifications on the eastern frontier. According to figures issued by the Foreign Office, the army in France numbers 362,167 effectives, not including auxiliary forces and a colonial army which bring the total to 651,185. Germany was estimated by the Foreign Office to have 100,000 in the regular army and auxiliary forces, such as militarized police and storm troops, making up a total of 750,000. In the circumstances, however, the almost unanimous opinion of the French, with the exception of the Socialists, seems to be that no further reduction in armaments ought to be proposed. On this point it was expected that Premier Sarraut would follow the same policy as his predecessor.

The French public has been much concerned with international finance. In view of the gold-buying policy recently adopted by the American Government, there was real concern at first lest France should be forced off the gold standard she has so jealously maintained. Particularly strong has been the fear that foreign investors might attempt a wholesale repatriation of their capital. Although there is no precise data available on the amount of foreign investments in France, estimates range from 8,000,000,000 to 40,000,000,000 francs. But it was pointed out in Paris that the franc is still amply protected. On Oct. 12 the gold reserves of the Bank of France amounted to 82,037,000,000 francs. Since that date, and especially during the Ministerial crisis, withdrawals of gold were heavy and amounted in all to 750,000,000 francs. This loss was ascribed to internal conditions, however, and not to the effects of President Roosevelt's policy. While admitting that the policies of the American Government may have some effect on the franc, the view generally held in financial as well as political circles is that the gold standard would be in no danger if the budget could be balanced.

BELGIAN-GERMAN RELATIONS

Belgium's business relations with Germany showed a noticeable improvement during October. Germany agreed to pay in Belgian francs three-fourths of the sum due for German marks held by Belgium after the armistice, the balance to be repaid in kind. The German Government suspended payment on this debt last Spring. In return for this settlement, it is assumed that Belgium has made some concessions in the new commercial treaty now being negotiated with Germany.

Belgian middle-class taxpayers organized a huge demonstration in Brussels to protest against excessive taxation. Their attacks were aimed at imposts on the necessities of life, such as bread and milk, and at new expenditures on armaments. Nine provinces sent large delegations. It is felt, however, that the appropriations for national defense have met with popular approval, and that the fortifications already undertaken have greatly allayed the fears of the Belgian people.

Hitler Stages an Election

By SIDNEY B. FAY
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THE general policy of the Hitler régime was to be put before the German people on Nov. 12 when elections were to be held for a new Reichstag and a plebiscite taken on Nazi accomplishments at home and abroad. The call for the election was issued almost simultaneously with Germany's sudden withdrawal from the Disarmament Conference and the League of Nations. (See Professor Nevins's article on page 327.) In the national plebiscite the people were to vote "Yes" or "No" on the question, put to them in the familiar and affectionate form: "Dost thou, German man, and thou, German woman, approve the policy of thy government, and art thou ready to declare it as the expression of thy own belief and thy own will and solemnly confess thyself in its favor?"

Immediately the Chancellor, his Ministers and the whole propaganda machine of Dr. Goebbels began an active campaign in defense of the government's policy in order to roll up a gigantic and impressive vote of endorsement. The speeches emphasized Germany's honor, solidarity and rightful claim to be treated as an equal among the great nations. At the same time they stressed Germany's realization of the horrors of the last war and her desire for peace; they insisted that Germany had no warlike intentions; that she was ready to observe all her treaty obligations, although she would sign no conventions in the future which implied her position of inferiority and that she would always be ready to hold out a friendly hand and scrap, on a basis of equality, any and all weapons in the same proportion as other nations.

The election of a new Reichstag was something of a farce, as far as being an expression of the political views of the German people. There existed only one party, the National Socialists, all the other parties having been crushed out of existence or "coordinated" with the National Socialists. There was only one list of candidates—that headed by Hitler, Goering, Goebbels, Hess and other prominent Nazis, together with some others who have thrown in their lot with the Nazis, like von Papen, Seldte and Hugenberg, whom the Nazis still regard as desirables allies. The only question about the outcome of the plebiscite and the election was how many persons would feel latent doubts about the present régime and how many of these would have the courage either to stay away from the polls or to vote "No" on the plebiscite. Such a national poll indicates how far Germany has moved from true Democracy.

As further evidence of its pacific intentions the German Government on Oct. 20 ordered the confiscation of Professor Ewald Banse's book, *Military Science*. The book is decidedly militaristic and has been much quoted abroad as an indication of the bellicose views of the present régime. Professor Banse's premise is that war is inevitable and that therefore it is imperative to know as much about war-

fare and be as efficient in its practice as possible. The mind of the nation from childhood onward, he holds, must be impregnated and familiarized with warlike ideas. In confiscating the book, the political authorities insisted that Dr. Banse's ideas did not correspond with those of the German Government and should be regarded merely as his private opinion. This disavowal followed close upon the heels of the official prohibition of two songs which have been popular with the Nazis and with German jingoes: "We Shall Fight and Conquer France" and "German People, To Arms!"

That the Nazis really fear, or affect to fear, air raids upon Germany was indicated by a decree of the Finance Minister of Oct. 19. By this decree all money expended by private individuals or firms for protection against air attacks can be included in deductions in income and corporation tax returns.

A PEASANT ARISTOCRACY

Much has been written and spoken during the last months in Germany about the value of the peasantry as the backbone of the nation's economic strength and a safeguard for her racial purity in the future. A new slogan, "Blood and the Soil," has taken the place of Bismarck's "Blood and Iron." To make the peasant conscious and appreciative of the high regard in which he is held by the present régime, a great Thanksgiving Harvest Day was held on Oct. 1.

Next day an important decree was issued to create a "peasant aristocracy." It provided that peasant homesteads of not more than about 300 acres are to pass undivided to the principal heir. This is to prevent the excessive division of holdings among too many children, which results in farms too small for the adequate nourishment of a peasant family. The younger heirs are to be educated for business or the professions by the family funds, or if there is not enough for them and they cannot find support for themselves they may return to the homestead as a refuge home and share in its work. But there will be no division of the land.

The law also aims to take the peasants "out of the capitalistic system" and to protect them from the exploitation of money-lenders and the middlemen who have heretofore bought their crops. It provides that peasant owners cannot be dispossessed for debt, and that their entire property, including their crops, is exempt from seizure by private creditors.

The law also provides that the new peasant aristocracy must be "Aryan." They must prove that their families have been free of Jewish or Negro blood since Jan. 1, 1800.

STATE-CONTROLLED PRESS

A National Press Law of Oct. 6 made sweeping regulations affecting journalism in Germany. Journalists, like lawyers and doctors, are to satisfy severe State requirements before being allowed to practice their profession. In the future no one may be a journalist unless he is of German nationality, of "Aryan" descent and not married to a "non-Aryan," at least 22 years old, professionally competent and technically trained. All journalists are to be gathered together into a new association, the head of which is appointed by Dr. Goebbels.

The law describes in general the spirit in which journalists are to write. They must exclude from their papers anything that mixes selfish aims with aims of public policy in such a way as to mislead the public; anything calculated to weaken Germany at home or abroad, to weaken

the will to unity of the German people, the national defense or culture, or to hurt the religious feelings of others; and anything that unjustly injures the honor or welfare of another, does him harm in his occupation, or makes him ridiculous or contemptible.

THE REICHSTAG FIRE TRIAL

The German Supreme Court Senate which has been conducting the trial of Marinus van der Lubbe, Ernst Torgler and three Bulgarians for setting fire to the Reichstag Building moved in the middle of October from Leipzig to Berlin. It wished to view the scene of the crime and to have reenacted some of the episodes which have been alleged to have been seen by witnesses. This examination on the spot disposed of a good deal of contradictory and unreliable evidence. It was clear that the story that van der Lubbe was accompanied by another person in climbing into the Reichstag window and in carrying firebrands through the building rested on an optical illusion or too vivid an imagination. All the evidence of the foreign jurists that quantities of inflammable material were smuggled into the building, presumably by Nazis, and that some of it was still seen lying about as the fire was extinguished, was discredited by the testimony of the Reichstag employes. They all vigorously denied the charge made abroad that they were sent home early on the day of the fire.

The famous underground tunnel leading from the Reichstag Building to the residence of its president, Captain Goering, was solemnly inspected by the judges and newspaper correspondents. It was through this tunnel that Nazis are alleged to have entered and retreated in their work of setting the fire. The weight of the testimony of the employes was that this was impossible: footsteps would have been heard; the passage was kept locked, though some days earlier footsteps had been heard and paper seals pasted over the doors had been broken. The Nazis who have been charged with having set the fire produced alibis showing good reason to believe that they were innocent.

One important point on which there was conflicting evidence was whether van der Lubbe would have been able, alone and merely with a little kindling material, his own clothes and some linen found in the building, to have set so big a fire. Must he not have used benzine or some other highly inflammable liquid or some incendiary chemical? Some experts gave their view that such must have been the case. One or two witnesses declared that they smelled benzine or some similar substance. But the majority of the testimony was against the theory that the Dutchman was assisted by others and that incendiary material other than what he described was used. Supposing that he had accomplices and some incendiary liquid, the question would still remain whether his guilty associates were the Communists on trial with him or whether they were Nazis, as was implied, though not proved, by the foreign jurists.

FOREIGNERS IN GERMANY

Roland Velz, an American citizen who has resided for several years in Germany, was struck a couple blows in the face by a Nazi storm trooper in Duesseldorf on Oct. 8 because he did not salute the Nazi flag in a passing parade. This increased to more than a score the number of cases of American citizens who have been mishandled in Germany since the Nazis obtained power.

Ambassador Dodd promptly lodged

a vigorous protest with the Foreign Office, received apologies and the promise that the assailant would be brought to justice. The promise was kept. The storm trooper who struck Mr. Velz was immediately arrested and sentenced to six months in prison, a fact which was published in the German papers. At the same time Hermann Goering, Prussian Minister of Interior, issued a vigorous circular to all the Provincial Governors and police officials warning them that foreigners must be treated in a friendly manner; that attacks like that on Mr. Velz injured Germany's credit and caused serious foreign complications, and that "it is the duty of all authorities to give unmistakable instructions to their subordinates to afford all foreign citizens the necessary protection in every respect."

Late in October Noel Panter, a British newspaper correspondent, was arrested in Bavaria and charged with spying and treasonable activities. After the case had aroused great interest in England, Mr. Panter was released for lack of evidence against him and expelled from Germany.

NAZI ACTIVITIES IN AMERICA

When the United German Societies of New York City planned to celebrate German Day, on Oct. 29, protests became general that the meeting would be used for Nazi propaganda, especially as one of the speakers at first proposed was Heinz Spanknoebel. The latter had been suspected of being a paid Nazi agent employed to spread propaganda in the United States. After hearing much evidence on both sides Mayor O'Brien refused to allow the meeting to take place on the grounds that it might threaten public order. Subsequently, a warrant was issued for Herr Spanknoebel's arrest on the charge of acting on behalf of a foreign government without giving due notice to the American State Department, but before the warrant could be served Herr Spanknoebel had disappeared.

Italy's Eleventh Year of Fascism

By WILLIAM E. LINGELBACH
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ALL Italy celebrated on Oct. 28 the eleventh anniversary of its Fascist régime with enthusiasm and spontaneity. Addresses, military parades and displays, athletic contests, the inauguration of public works, monster demonstrations, concerts and fireworks continued through the entire day and well into the night. Premier Mussolini himself took an active part. After a vigorous address to 20,000 war veterans drawn up before the Piazza Venezia in which he declared that it was his firm resolve to give "the Italian people the hard but glorious task of securing first place on the earth as well as in the sky," he called on all "to make this certainty the unanimous will of the Italian people." In a special message to the Fascisti, which was read as a part of the celebration of the day, the Black Shirts were urged to continue with increased zeal to advance the prestige of the party.

Vast programs of public works, in-

volving the expenditure of many millions, were officially inaugurated, while others recently completed were officially taken over by the authorities. Notable among the latter was the Cremona-Piacenza railroad, built at great cost and labor through the difficult mountain region to link the lower Po valley with the Ligurian coast. In Rome Mussolini opened the network of new streets in the Palatine district and inspected the archaeological section of the city. The great reclamation and drainage projects in Tortona, which have given employment to thousands in the district, were featured among those to be continued throughout the coming year.

The Italian press has featured the prominent rôle played by Mussolini in international affairs, calling attention especially to the signing of the Four Power Pact, and the visit to Rome of an unusual number of eminent foreign statesmen like Prime Minister MacDonald, Norman H. Davis, Arthur Henderson, Herr von Papen and Chancellor Dollfuss. Added to this was the reunion of Habsburg imperialists in connection with the negotiations for the marriage of Otto, the young pretender to the Austrian throne, and the 18-year-old daughter, Maria, of Victor Emanuel III.

By way of again stressing the importance of his population program, Mussolini in the *Popolo d'Italia* took the Fascist press to task for its bombastic boastings over the nation's birthrate. The article pointed out that by comparison with the millions of Slavs and Teutons, Italy with its 42,000,000 was far behind, and that its birthrate, like that of other countries of Western Europe, was declining. In 1924 the number of births was 1,124,470; in 1932 only 992,049, a decrease which was particularly conspicuous among the upper classes. Manifestly Mussolini's program for early marriages and large families makes its appeal chiefly to the workers.

Earlier in the month the press had also been rebuked for extravagant talk in general, and Achille Starace, the secretary of the party, issued an order against the too constant use of phrases avowing loyalty and allegiance to the oath. Pledges that are genuine, he said, need not be constantly renewed; Fascisti should be sparing of words but quick to act.

Moderate economic gains seem to have been made in Italy during the month. Improvement in Eastern Mediterranean commerce was especially gratifying to Mussolini. His efforts to bring Greece and Turkey together resulted in the recent pact, which has stimulated Italo-Greco-Turkish trade considerably. The growing interest in this direction was also noted during October by the increased attendance at the fourth Levant Fair held at Bari, Italy.

Despite a slight decline in wholesale prices and in living costs, the general price levels have been maintained and unemployment figures are favorable. Security prices have shown a firm tone, auto stocks rising over 25 per cent, while textiles, chemicals, real estate and engineering also showed fair advances. This was somewhat offset, however, by a decided decline in oils, transport, bank, mining and metallurgical issues. The Treasury has reported an increase in saving-bank deposits, for the first eight months of 1933, of 2,000,000,000 lire (about $105,200,000 at par) above those for the same period of the preceding year. On the whole, the government seems well satisfied, and speaks of the situation as one of "incipient recovery." The trade balance

continues favorable. The most important development in that respect, however, was the announcement of plans for the guarantee of export credits to a maximum of about $10,500,000 during the fiscal year ending June 30, 1934; the limit set to the amount of the guarantee to any particular country is about $7,890,000. As is well known, this is only a continuation of a policy in operation since 1927, when arrangements for export credits were made in connection with the commercial treaties with Russia; it is generally assumed that most of the credits for the present fiscal year will again go to that country.

Among other measures to stimulate Italian industry is a proposed decree requiring the translation into Italian of all talking motion pictures shown in Italy, along with a $2,000 tax on each. This will impose a heavy burden on American producers who have in the past supplied more than 60 per cent of the imported pictures. Another feature of the proposed plan is the requirement that all cinema owners during the next six months show one Italian picture for every three foreign pictures.

Italy adheres stanchly to the gold standard, and there is much talk to the effect that the lira must be maintained at its present price. There is a gold coverage of 53 per cent, and speculation in the lira has been considerably reduced. On the other hand, the inflated dollar is causing much anxiety and some distress. Foreign tourist traffic has fallen off sharply and remittances from emigrants in the United States are declining materially. Meanwhile, preparations are being made to float a new bond issue, similar to that issued for the great electrification program, in order to retire the nine-year Treasury bonds maturing next May.

SPANISH CORTES DISSOLVED

President Zamora of Spain on Oct. 7 handed a decree for the dissolution of the Constituent Cortes to Diego Martinez-Barrios with instructions to form a coalition Republican government. The action came after a deadlock of five days, following the overthrow of Alejandro Lerroux, during which four others had tried in vain to form a Ministry. Martinez-Barrios is a lieutenant of Lerroux and is regarded as an astute and powerful politician. After assuming the Premiership, he promptly announced his Cabinet and set the date for the election of the new Cortes for Nov. 19. Seven members of the Lerroux Cabinet held over in the new one, five retaining the same portfolios. The other appointments represented the Moderate Left viewpoint, and therefore indicated a swing away from the Right wing, which was so predominant in the previous Ministry. How far this reflects the influence of the Socialists, who themselves refused to enter the Ministry, it is hard to say.

The dissolution of the Cortes, after two and a half years of hard labor, during which it gradually lost its popularity and its unity, again draws attention to its extraordinary achievements. Besides drafting and promulgating one of the most progressive constitutions of our time, it adjusted the difficult relation between the national government and Catalonia, separated church and State, ordered the suppression of the church schools and the establishment of a national system of public education, inaugurated radical land reforms looking toward the breaking up and confiscation of the great estates, and passed laws for the organization of both rural and urban labor.

At the same time that it was break-

ing down the customs, institutions and traditions of the great mass of Spaniards, it managed well the foreign affairs of the nation and, what was more difficult, maintained law and order and a reasonable respect for the authority of the government. Unhappily the alliance of the Left Republicans and the Socialists and the use of coercive measures, quite as arbitrary as those employed by the monarchy, led to much criticism and opposition.

Temporarily, many of the laws passed to implement the republic were in abeyance as the nation experienced the throes of a high-pressure election campaign. A decided swing to the Right seemed probable, since not only did the Conservatives win in the elections for the Tribunal of Constitutional Guarantees but most of the Republican press turned against the Azaña régime in recent months. Peasants are dissatisfied with the delays in land distribution, the workers are restless, and the women's vote is hard to forecast. Since women were given the vote without asking for it, the men are now wondering what they will do with it. Of the three women in the Constituent Cortes, one opposed the enfranchisement of women on the ground that they would inevitably be reactionary and their vote would prove a boomerang to the republic. Possibly the remarkable changes which have occurred among Spanish women, especially in the cities, in the two and a half years, may break down the docility of the feminine electorate. A conservative estimate places the number of women students at the universities at over 20,000.

In Catalonia, the political caldron was also bubbling over in anticipation of municipal elections on Nov. 12. The Catalan official party, known as the Esquerra, of which President Macia is chief, was threatened with serious difficulties early in October through the quarrels of the Labor syndicates and the open warfare between the tenant peasants and the landlords. Fortunately, President Macia partially solved the problem by a reorganization of his Cabinet. In the meantime, separatist tendencies keep cropping out. At a mass meeting of 20,000 representatives of the youth organizations in the Barcelona Stadium on Oct. 22, over which the President presided, the flag of a free Catalonia was greeted with loud and prolonged applause.

From Oct. 4 to 10, Spain acted as host to the Interparliamentary Union, which met in the historic rooms of the former Senate building. Julian Besteiro, Speaker of the Cortes, who is also President of the Congress, presided. The topics for discussion revolved mainly about disarmament, labor and parliamentary procedure. Following close upon the heels of the meeting of the Union came that of the Fifth International Conference for the Unification of Penal Law.

The body of the novelist Ibañez was interred in his native city of Valencia on Oct. 28. It had been brought from Mentone, France, where he had first been buried because he desired not to be buried in Spain so long as the monarchy remained. The President, other officials of the Republic and members from the foreign delegations, attended the ceremony.

Reports that France had approached Spain for a military pact have not been confirmed. On the other hand, France has been exceedingly friendly to Spain since the Herriot mission. Another gesture occurred late in October when Francesco Macia was decorated with the Grand Cross of the Legion of Honor.

Czechoslovakia Bans the Nazis

By FREDERIC A. OGG
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CZECHOSLOVAKIA'S domestic affairs have been affected profoundly by recent developments in Germany. To understand why this has been so, it must be recalled that a German National Socialist party was founded among the Germans of Bohemia, Moravia and Silesia as far back as the close of the nineteenth century, that after the World War this party split into Czechoslovak and Austrian groups, both of which entered into close relations with the German group formed by Hitler in Bavaria, and that, although the German group in later years completely outdistanced the others, it was from the leader of the Nazi movement in Czechoslovakia, Herr Jung, that Adolf Hitler acquired both his distaste for democratic government and his program of anti-Semitism.

The National Socialists, nevertheless, were long but a minor force among the several German parties that have existed in Czechoslovakia since the creation of the republic. In 1920, for example, they had only five seats in the National Assembly, as compared with sixty-five belonging to other German parties. Extraordinarily active, however, they kept in close touch with the Hitler movement elsewhere, displayed the emblem of the swastika on their banners as early as 1923, and, in the years after 1924, organized uniformed Storm Troops among their supporters. Although developing on lines clearly contrary to the best interests of Czechoslovakia, the movement was tolerated by the Prague government, which hesitated to offend the Agrarians, Social Democrats and other German parties which not only were loyal to the existing régime but generally contributed members to the Cabinet. When, however, on initiative from across the German border, a Nazi gymnastic organization called Volkssport sprang up in the North, armed itself with weapons smuggled from Germany, and, according to generally accepted opinion, turned to the task of ultimately accomplishing a violent separation of German-populated sections from the republic and joining them to the Third Reich, the government caused the arrest of the leaders and eventually ordered the organization dissolved.

Early in October the National Socialist party came forward with the ingenious proposal that all German non-Socialist parties in Czechoslovakia should disband and then reunite in a single new party. There was no response except from the Nationalists (comparable with the Hugenberg party in Germany), who, in point of fact, had already largely gone over to the National Socialists. Already, on Sept. 26, Acting Premier Bechyne had publicly indicated that the government's patience was exhausted and that it proposed forthwith to end the machinations not only of the Hungarian Irredentists, the Fascists and the Slovakian People's party but of the German National Socialists as well.

After the Supreme Court, in a decision involving the Volkssport leaders, had declared that the National Socialist aim was the dismemberment of the country, the Cabinet prepared for action. On Oct. 5 a decree, favorably received not only by the Czech press but by the bulk of the German population, dissolved both the National Socialist and Nationalist parties, ordered the seizure of its party funds and the arrest of the principal leaders. As a tactical move, the Nazi party forestalled the decree on the previous day by announcing its own dissolution.

While walls and buildings in various cities were being surreptitiously plastered with swastikas and Nazi slogans, the Cabinet announced that when Parliament assembled on Oct. 17 measures would be introduced which "would prove the government's readiness to make full use of its authority." One bill to be introduced was understood to confer full power to dissolve political parties, unseat their representatives in Parliament, and confiscate their property—all of which had, in fact, already been done in the case of the two offending parties mentioned. "The government," it was proclaimed, "is resolved to defend democracy to the utmost. Fears that this will mean forcible suppression of political parties are unfounded. But the government must request of all political parties, including those in opposition, an unconditional declaration of loyalty to the State in its full unity and integrity." A nation-wide series of raids on the homes of National Socialists and Nationalists kept the police occupied for several days and resulted in many more arrests and the confiscation of much propagandist material, including countless portraits of Chancellor Hitler. [For further discussion of this subject see Robert Machray's article on page 302 of this magazine.]

POLISH-GERMAN TARIFF TRUCE

Efforts to curb a tariff war between Poland and Germany, which has been an almost constant irritant between the two countries since 1919, attained a measurable degree of success in the middle of October, when conversations of officials and experts at both Warsaw and Berlin culminated in a temporary understanding. A general Polish-German trade agreement drawn up in March, 1930, was ratified by the Polish Parliament, but rejected in Berlin, and thenceforth German goods, from having stood highest among Polish imports, fell, as a result of embargoes, almost to the vanishing point. The new agreement did not, of itself, go far, providing merely that during continued negotiations Germany should issue no special decrees against imports from Poland, and that Poland, on her part, should apply to German imports the reduced tariff which was being granted to nations with which she had commercial treaties. Even this, however, was regarded as pointing to a permanent settlement.

Realizing that if Germany's announced intention to withdraw from the League of Nations were adhered to Poland would find herself situated between two great States not League members, the Polish press and people became acutely apprehensive about their country's international position. At the same time, there was some satisfaction over the fact that German policies had been brought into the open, and, to that extent, the European situation had been cleared up.

Ratifications of the recent eight-power non-aggression convention were exchanged at Warsaw on Oct. 8. "Our alliance with Poland," declared Foreign Minister Titulescu of Rumania

while in Warsaw for the ceremony, "can no longer be considered as a simple instrument for the assurance of national security, but as a source which should inspire future constructive policies with a view to the maintenance of peace in Eastern Europe."

Industrially, Poland appears to be one of the most prosperous of present-day European countries. Official figures show that, with a population of 32,000,000, the republic has fewer than 300,000 industrial unemployed. The principal source of this prosperity is heavy and continued orders for goods, including munitions, from Russia, most of the business being done, naturally, on a credit basis.

BALKAN DIPLOMACY

With storm clouds gathering in the direction of Germany and France, and with Italy and the Little Entente entering a new stage of competition for the upper hand in Central Europe, the three members of the latter combination have of late been courting Bulgarian favor, with the ill-concealed purpose of drawing the kingdom into the Little Entente. A visit of King Alexander and Queen Marie of Yugoslavia to the Bulgarian capital on Oct. 3 was interpreted as having political significance, and a brief sojourn of Foreign Minister Titulescu of Rumania in the same city a week later was definitely known to be related to the project. Recognizing that considerable concessions would have to be offered to bring Bulgaria into the Little Entente, Rumania, according to a report from Belgrade, was prepared to cede a portion of southern Dobrudja, while Yugoslavia would part with the two frontier districts of Bossigrad and Zaridrad. More than this, however, seemed likely to be required. Though keenly desirous of better economic relations with her neighbors, Bulgaria is even more concerned about the status of the Macedonian irredentists in South Serbia whom she claims as Bulgarians, and it seemed certain that she would turn a deaf ear to her wooers unless she could be given assurance that the minority clauses of the peace treaties would be applied to them. A renewal of raids across the frontier into Yugoslavia near the Greek border early in October served to remind the negotiators of the continued seriousness of this problem.

Meanwhile the Rumanian press, as well as newspapers of neighboring countries, had attached great importance to a round of visits by Foreign Minister Titulescu to Warsaw, Belgrade, Sofia and Angora. The view was widely taken that his purpose was not only the addition of Bulgaria and perhaps eventually Poland to the Little Entente but the consolidation of anti-German sentiment in an effort to build an anti-German bloc reaching from the Vistula to the Dardanelles. At Sofia the Foreign Minister said that King Boris and King Carol would soon meet, and indicated further that a meeting of the two with King Alexander of Yugoslavia was not far distant.

While in Warsaw for the ceremony of ratifying the non-aggression pact, M. Titulescu used language in a press interview which was construed to mean that Rumania and Russia would soon resume direct diplomatic relations. Upon closer examination it appeared that he had really gone no further than to express the hope that "frank and cordial relations" between the two countries would be revived.

To the long list of recent visits and conversations of sovereigns and Forign Ministers of Balkan and near-by countries was added, during the first week of October, a conference at Istanbul between King Alexander of

[Y]ugoslavia and President Kemal of [T]urkey. Complete secrecy surrounded [t]he event, but it was taken for grant[e]d that the meeting was in line with [o]ther steps being taken in these days [t]o bring about closer relations among [t]he Balkan and Aegean States.

[H]UNGARIAN FOREIGN AFFAIRS

The general tone of Hungarian po[l]itical and press comment on Ger[m]any's withdrawal from the Disarm[a]ment Conference and the League was [o]ne of complete sympathy, and no [d]oubt was left that Hungarians gen[e]rally would have been glad to see their own country take the same course, had it been considered safe to do so. A view commonly held was that Hungary in this matter, as in others, must be guided by Italy.

Premier Goemboes and Foreign Minister de Kanya visited Turkey in mid-October in the interest of closer relations between the two countries. "Premier Goemboes," declared a semi-official Budapest newspaper, "goes to Angora as leader of an oppressed and enslaved nation to grasp the hand of President Mustapha Kemal, the first statesman to break out of the tomb built by the peace treaties."

Labor Party Gains in Norway

By SIDNEY HERTZBERG

THAT the elections to the Norwegian Storting on Oct. 16 would result in [s]ome Socialist gains had been con[c]eded even by the stanchest parti[s]ans of the Right. Conditions in Nor[w]ay as well as the general political [t]rend in Northern Europe indicated [a]n unmistakable movement to the [L]eft. From September, 1932, to July, [1]933, Parliamentary elections had [b]een held in Sweden, Denmark and [F]inland and in each case the So[c]ial Democrats had substantially in[c]reased their strength. But the tri[u]mph of the Norwegian Socialists [e]xceeded them all. Not even the most [o]ptimistic had expected that they [w]ould lack only seven seats for an [a]bsolute majority in the Storting.

The Labor party won 69 of the 150 [s]eats in the Storting; in 1930 they had 47. The Liberal Left, which is the party in power, lost 9 of its 33 seats. [T]he Conservative representation was reduced from 43 to 30. The Agrarians lost only 2 of their 25 representatives. The other 4 seats went to minor parties. The distribution of the popular vote, in approximate figures, shows that the Labor candidates received 493,000 of the 1,241,000 ballots cast, an increase of 120,000 votes over 1930. The Conservatives polled 248,000 votes, a loss of more than 75,000. The Left lost 30,000 votes and were reduced to 210,000. The Agrarian party held on to all but 17,000 of their 190,000 voters.

Immediately after these results became known, the executive committee of the Labor party resolved that Premier Mowinckel should resign and make way for a Labor Cabinet. The Premier replied that he had no intention of resigning before the new Storting meets in January. If the Socialists are to be kept out of office, there will have to be some kind of working agreement among the three bourgeois parties—a possibility that is in direct

ratio to the degree of radicalism which the Socialist legislative program will reveal.

Up to now the Left Ministry has been able to scrape along on the support which it alternately beguiled from the Conservatives and the Socialists. Such compromising and the lack of direction inevitable for any Cabinet laboring under such conditions was probably the most important cause of the Labor victory. In 1930 the bourgeois parties gained about 200,000 votes, but none won a majority in the Storting. They found it impossible to unite on an economic policy in the face of the worsening depression. The reaction of the electorate was inevitable. Even so, the Labor party lost no opportunity to make the certainty doubly sure. Ever since the Left and Right wings combined in 1927, the party has gained in power and efficiency. It was the only Marxist party in the field besides the Communists who, since 1927, have been unable to elect a single member of the Storting.

The immediate demands for which the Socialists campaigned included an extensive program of public works as a first step looking toward the systematic development of the country's natural resources, the six-hour day, 3 per cent maximum bank interest, reduction of farm indebtedness to the pre-deflation level, restoration of the unions' right to boycott employers, national disarmament and defense of democracy against fascism.

The Norwegian Labor party is the *enfant terrible* of international radicalism. It has never been a member of the Labor and Socialist International and has never accepted revisionism. In 1920 it joined the Communist International, but found the hand of Moscow too irksome and was free again by 1923. Its theoretical position was best exemplified by the Independent Labor Party before that group began making overtures to the Kremlin. The solution of the problem which the Norwegian Socialists now face is one of their vital points of difference with the Social-Democratic parties of Europe. It involves the question of assuming responsibility for a government which must depend for its existence on the toleration of Liberals. In 1928 the Norwegian Labor party was in office for fifteen days—as long as it took to put forward a program involving the drastic redistribution of wealth and have it voted down by the bourgeois parties. Should the Socialists follow a similar course if they are called upon to form a Cabinet in January, that is, invite defeat and leave the government in the hands of the discredited and rejected bourgeois parties for three years more, they will incur the wrath of thousands of electors who want them to assume leadership even if it involves compromise. The Socialists might be influenced by another factor—the threat of fascism. During the past campaign Major Vidkun Quisling, Norway's blond Hitler, emphasized the Fascist theme dealing with the futility of modern parliamentarism. Another deadlock in the Storting would provide him with new arguments.

The present parliamentary leader of the Labor party is Johan Nygaardsvold, an unskilled worker. He would, of course, become Premier. But the real leader of the party is, and would remain, Martin Tranmael, editor of *Arbeiderbladet*, the official organ. Before the war Tranmael was active in the I. W. W. in the United States and his syndicalist tendencies are still noticeable. Most of Norway's labor unions are organized along industrial lines, and the general strike is an important element in Labor policy.

With the possible exception of the

Quisling group, the dozen or more minor parties that competed in the election were of no particular importance in themselves, though in some districts they did serve to confuse the issue. Those that obtained one seat each are the Liberal People's party, an old group of Conservative dissidents who now seem to be turning Fascist, the Radical People's party, the Christian People's party and the Commonwealth party, all of local importance. The total vote of the four was about 55,000. The Communist party received about 22,000 votes, an increase of more than 2,000 over 1930 and the only gain made outside of the Labor party.

Major Quisling's party, the National Union, found almost 28,000 supporters. This exceeded the number received by any of the minor groups, but because of the peculiar requirements of the Norwegian system of proportional representation, it did not mean a seat in the Storting. Major Quisling is a former Minister of Defense. He spent about fifteen years in Russia and was Fridtjof Nansen's right-hand man in famine relief there. He insists that dictatorship is no part of his program, but his distinction between absolute control and the degree of unhampered action he thinks necessary is not clear. Certainly, the Norwegian people believe that he stands for dictatorship. All the major parties, particularly the Socialists, attacked him vigorously on that basis.

Democracy is still in fairly good repute in Scandinavia. Those who have opposed it in the past have made little progress. Were this not true, it would be easy to predict a future for Quisling. At the time of the election his party was only five months old. Intellectually, Quisling has extraordinary characteristics. He could easily become a legendary figure. He apparently inspires devotion. His propaganda director states that he has received contributions from big bankers, industrialists and merchants. Many other details fit into the Fascist picture.

SWEDEN'S LABOR CONFLICT

Sweden's public works program for the reduction of unemployment is being seriously handicapped by a stubborn conflict between 10,000 painters, bricklayers and carpenters and the employers' building association which began on April 1. Two attempts by the government to settle it have been futile. Along with the Riksdag's approval of the program in June went a proviso that the strike must be settled before building construction could begin. As a result, nearly 20,000,000 kronor of official public works is being held up and approximately 65,000,000 kronor of private building expected as a result of a 10,000,000 kronor government loan for that purpose has likewise been left untouched. [At par the krona is worth 26.799 cents.]

Employers, at the expiration of the old contract, demanded a reduction in wages; thereupon the workers struck. A Social-Democratic government, of course, dislikes to suggest a wage reduction to a section of its own supporters. A reduction, however, would result in very little hardship. Wages for the skilled hands in the buiding trades became abnormally high during the building boom when labor was scarce. In Stockholm and its vicinity the average wage for bricklayers and carpenters is twice and more the average industrial wage. These workers know they must take some reduction, last all Winter. Nevertheless, and despite the previous failures, a special government commission is working

for a satisfactory solution of the controversy.

ANGLO-FINNISH AGREEMENTS

The Anglo-Finnish Trade Agreement, details of which were revealed early in October, will last for three years and will operate on the basis of the most-favored-nation principle. Finland will buy not less than 75 per cent of her annual coal imports from Great Britain and coal and coke will remain on the free list. In 1924 Finland imported 95 per cent of her coal from Great Britain; in 1931 the percentage had dropped to 29.

Finland also undertakes to reduce the duty on printed cloth from 18 to 10.8 per cent and to reduce duties generally on all kinds of cotton piece goods, on wool piece goods and on wool and silk mixtures. At the time these concessions became known a large Finnish cotton mill was reported to have decided to lay off 500 workers because of the decline in output expected as a result of foreign access to the home market.

The terms of the agreement were greeted with mixed feelings in Finland. It was felt that home industries would suffer from renewed foreign competition. As a matter of fact, the operation of the most-favored-nation clause opens the Finnish market to Great Britain's competitors and jeopardizes British gains.

REFORMS IN ESTONIA

Drastic constitutional reforms involving the reduction of the membership of the State Assembly from 100 to 50 and the election of a President vested with extensive powers were approved by the Estonian electorate in a national referendum on Oct. 16. The vote was approximately 416,000 to 157,000. This comes after the rejection in June of a proposal to elect a President with limited powers. [See August CURRENT HISTORY, page 628.]

The Toenisson Cabinet resigned a day after the referendum and it is expected that the "Liberators," who were the proponents of the approved changes, will be able to form a government soon after new elections are held. The reforms must be instituted within 100 days.

The Basis of Soviet Recognition

By EDGAR S. FURNISS
Dean of the Graduate School, Yale University

A NEW chapter is about to begin in the story of American relations with the Soviet Union. On Oct. 20 correspondence between President Roosevelt and President Kalinin was made public, assuring apparently that the United States was about to abandon its policy of non-recognition toward the Soviet Union. Such an interpretation, however, was based upon a general appraisal of the existing relationships of the two countries and of the forces which are shaping their foreign policy rather than upon any explicit statement contained in President Roosevelt's note to the Soviet President. Careful reading of the note showed that it was framed so as to avoid committing the United States to any specific change of policy. Though addressed to President Kalinin it makes no mention of the

Soviet Union as such, merely inviting Kalinin as an individual to designate representatives to explore with President Roosevelt "personally all questions outstanding between our countries." Elsewhere in the note these questions were described as of concern, not to the governments, but to the "125,000,000 people of the United States and the 160,000,000 people of Russia." At no point was the recognition policy of this country mentioned as one of the problems for which solution was sought, and President Roosevelt was careful to include the warning that "participation in such a discussion would, of course, not commit either nation to any future course of action."

President Kalinin's reply, however, brushed aside these verbal equivocations and focused the issue squarely and solely upon the question of recognition. He wrote: "I have always considered most abnormal and regrettable a situation wherein, during the past sixteen years, two great republics—the United States of America and the Union of Soviet Socialist Republics—have lacked the usual methods of communication, and have been deprived of the benefits which such communication could give," adding, somewhat ironically, "I am glad to note that you also have reached the same conclusion." The questions outstanding between the two countries which President Roosevelt described as "serious but not insoluble," were attributed by President Kalinin to this one cause: "Difficulties, present or arising, between two countries can be solved only when direct relations exist between them; they have no chance for solution in the absence of such relations." Taking a still broader view of the American policy of non-recognition Kalinin condemned it as a menace to the general international situation, "an element of disquiet complicating the process of consolidating world peace and encouraging forces tending to disturb that peace." Maxim Litvinov, in accordance with President Roosevelt's invitation, was designated to visit Washington as the representative of the Soviet Government.

The Soviet Union's estimate of the importance of the forthcoming conference was shown not only by the alacrity with which President Roosevelt's invitation was accepted but by the selection of the Commissar for Foreign Affairs as delegate, notwithstanding the fact that Litvinov was at the moment about to set out on an important mission to Turkey. On Oct. 28, while in Berlin on the way to America, he stated in a press interview that as far as he was concerned the whole question of recognition could be settled in half an hour.

Probably the background of America's Russian policy and the obstacles which have for sixteen years prevented our recognition of the Soviet Union are well known to all, but in view of the historical importance of the present *rapprochement* of the two countries it is well to summarize these facts and to relate them to current conditions. The policy of the United States has not been, as many suppose, based officially upon a condemnation of the Russian revolution or a disapproval of the economic and political institutions of the Soviet régime. Instead, it has always been charged that the Soviet Government was neither able nor willing to fulfill international obligations and was not, therefore, an acceptable party to any agreement with the American Government.

The policy of non-recognition was first officially announced in Acting Secretary of State Polk's memoran-

dum of March 12, 1918, addressed to the Japanese chargé d'affaires in Washington. The reasons for the policy were formulated for the first time by Secretary Colby in a note to the Italian Ambassador in Washington on Aug. 10, 1920. They were reiterated by Secretary Hughes in March, 1923, when he declared: "The fundamental question in the recognition of a government is whether it shows ability and a disposition to discharge international obligations." President Coolidge in his message to Congress on Dec. 6, 1923, chose the same ground as the basis of our policy, refusing "to enter into relations with another régime which refuses to recognize the sanctity of international obligations."

Eventually the American indictment of the Soviet régime, originating in vague accusations of confiscation and repudiation, came to rest on three specific charges—the spoliation of our citizens in the revolution of 1917; the repudiation of the Kerensky, as distinct from the Czarist, debt; and the subversive propaganda in the United States of the Third International. These were clearly enunciated in President Coolidge's message. Their statement prompted Commissar Chicherin to cable ten days later requesting a conference to discuss and remove these obstacles to recognition, at the same time binding the Soviet Government to a policy of non-interference in our internal affairs and offering a satisfactory settlement of American claims on "the principle of reciprocity," the reference being to Soviet counter-claims arising from the operations of our armies in North Russia and Siberia in 1918. Secretary Hughes replied that there could be no negotiation of any sort until the Soviet Government had first compensated American citizens for confiscated properties, had acknowledged its obl gation for the Kerensky debt, and ha discontinued Communist propaganc in the United States. In 1928 Secretai Kellogg repeated that these conditioi must be met before recognition wou be possible, and as late as Decembe 1930, Secretary Stimson announce that there had been no change eith in the general tenor of our policy in the requirements it placed on tl Soviet régime.

If these demands of our gover ment were still to be obstacles Soviet recognition, the general effe of recent trends had been to reduc and in some cases to destroy, the si nificance of the conditions laid dov in the past. This is particularly true regard to Communist propaganda. Tl position formerly taken by Sovi spokesmen, namely, that this was tl work of a separate organization—tl Third International—for which tl Soviet Union could not be held off cially responsible, was so palpably subterfuge that it could be dismiss from serious consideration.

Today, however, it is apparent any impartial student of the questic that Russia is sincerely attempting keep the Third International with bounds, and that in this attempt sl has compelled her own Communi party to abandon its advocacy world revolution. The change has r sulted from the needs of the Sovi Union itself, the need for peace an for normal economic relations wit other countries which are essential t the success of Russia's internal pr gram. The situation was well state by Leon Trotsky, a bitter enemy the Stalin régime, in an article recen ly published in this country. "Wha formerly composed the essence Soviet policy," he said, "has now be come transformed into a harmles

ritual. It is time to understand that despite the phrases employed on holiday occasions the Soviet Government and the Commintern [the Third International] now inhabit different planes. The present Soviet Government strives with might and main to ensure its internal security against risk connected not only with wars but with revolutions."

With regard, also, to the question of Soviet financial obligations to the United States, a marked change had come over the situation. The Soviet Government had certainly not altered its official attitude toward American claims in respect either to the Kerensky debt or the losses of our citizens. As shown by Chicherin's note of Dec. 16, 1923, there was no denial of the validity of our claim to the Kerensky debt, but instead a counter claim. On both sides the official position was what it had been throughout the past sixteen years, but recent events weakened the force of all such considerations as a factor in shaping our foreign policy. One effect of the repudiation of debts by other European nations was to create in the United States a skeptical attitude toward "the sanctity of international obligations" of a financial character, while the existing American policy of continuing to recognize defaulting governments made it virtually impossible for us to defend our earlier position with regard to Russia. It seemed therefore to be in line with our present practice to make this whole question, after recognition, a matter for continued negotiation, a stage from which it is never likely to emerge.

The private claims of American citizens present a somewhat different case. These the Communist leaders have never acknowledged, nor was it politically possible for them to do so in view of the theory of revolution to which they are committed. Recently, however, the Stalin government suggested a formula which might provide a solution to the difficulty, at least in principle; namely, that while refusing to acknowledge the validity of the claim, the Soviet Union would grant such terms in new agreements with the American business interests that suffered loss in the revolution that the old claim might "be absorbed in the volume of new business." It was commonly believed that some such arrangement had been put into effect in the existing contracts between the Soviet Government and the General Electric Company. The limitations of the formula were obvious, but it did provide an opportunity for the American government to remove the whole problem from the sphere of diplomacy by accepting the assurance of good intent by the Soviet Union as a discharge of our requirement. Then the matter could be left for settlement by the interests concerned.

These developments, of course, had the effect merely of facilitating a policy of recognition through the removal of obstacles which formerly stood in the way. The forces working positively in this direction had to be sought elsewhere, particularly in the economic condition of America. For the time being the foreign policy of the United States, like that of the government of Russia, is controlled by the necessities of a gigantic program of domestic reconstruction. Any obstacle to the success of this program must if possible be removed. One vital necessity is the revival of American export trade, and it became clear that the Russian market for our goods could not expand under existing diplomatic arrangements. This had not been always true.

From 1924 to 1930, despite the non-recognition policy, our exports to the Soviet Union rose from $42,000,000 to $114,000,000. In 1931 they fell to $104,000,000 and in 1932 to $12,500,000. During 1933, except for one large transaction financed by the American Government, our exports to Russia remained on this insignificant level. Moreover, the loss of trade was due in large measure to causes which had a direct bearing on our recognition policy. It is true that the Soviet Union was obliged to reduce the total volume of her imports from all countries, but she still desired to buy foreign goods in large quantities and she had reason, especially in view of her strained relations with Germany, to prefer American goods. What happened to change our trade relations with Russia was that country's growing dependence on long-term credit and the impossibility of maintaining trade on such a basis in the absence of stable political relations. The protracted negotiations of the Amtorg and the RFC in the Summer of 1933 emphasized the difficulties of trading under existing conditions. Private enterprises and the banks which serve them were confronted by even greater difficulties when attempting to arrange a long-term credit basis for their transactions. In the offing was Litvinov's offer to the London Economic Conference to buy on Russian account up to $1,000,000,000 worth of foreign goods, provided satisfactory credit terms could be worked out. These considerations touching the economic needs of our own people undoubtedly received recognition in Washington as offering the only realistic and defensible basis of our Soviet policy.

The other nations of the world were not long in deciding that the Roosevelt-Litvinov conversations would result in American recognition of Russian and began adjusting their own policy to this conviction. In Great Britain the announcement of the impending conference at Washington stimulated a demand that the negotiations for a new Anglo-Russian trade agreement, which had languished since the British engineers' trial in Moscow last Spring, be speeded up. Both France and Germany interpreted the change in our recognition policy as a factor promoting the Franco-Russian *rapprochement*. The Soviet Union had thus far, despite the bitterness of its attitude toward the Hitler régime, continued its trade relations with German industries because of its need of German credit. The Soviet Government expected to free itself of this relationship when the way should be prepared for a transfer of its trade to the United States. The action of the German Ministry on Oct. 30, canceling the expulsion order against Soviet press representatives and announcing that the foreign policy of the Reich thereafter would cease to reflect repugnance for Communist institutions, indicated the increased influence of Russia. In the Far East, where Russo-Japanese relations were growing steadily more embittered, the importance of Litvinov's visit to Washington was recognized. Japanese Foreign Minister Hirota, in commenting on the Roosevelt-Kalinin correspondence, acknowledged that it had strengthened the Union's standing in world affairs. The Soviet leaders themselves argued that American recognition of the Soviet Union would stiffen instead of mollifying the Japanese policy in Manchuria since it would strengthen the military faction rather than the civil authorities in the struggle now going on in Japan for control of that nation's foreign policy.

Arab Riots in Palestine

By ROBERT L. BAKER

THE most sanguinary disorders that Palestine has witnessed since 1929 occurred during the last week of October, when Palestinian Arabs took part in a series of violent demonstrations at Jaffa, Haifa, Jerusalem and other places.

Since the beginning of the persecution of Jews in Nazi Germany the British Government has been under great pressure to open the doors of Palestine to the Jewish refugees. Zionists, from the World Organization down to influential individuals, have urged, entreated and demanded that the restrictions on Jewish immigration be greatly moderated. Sharp attacks have been launched against the policy heretofore followed of setting quotas based on the estimated "capacity of Palestine to absorb settlers." The Zionists contend that the quotas have been kept down in spite of the country's phenomenal prosperity and the requirement of new development projects for labor. Though the new quotas, both for immigrants possessing capital and for laborers, have been raised considerably, they are far below Zionist estimates of Palestine's capacity to accommodate colonists. The Jewish Agency, for example, demanded a quota of 25,000 Jewish laborers for the next six months; the Palestine Government granted only 5,500.

The Palestine Arab Executive, speaking for the 750,000 Arabs in the mandate, has never ceased to protest against all Jewish immigration whatsoever and against the purchase of land by Jews. Its influence over the Arab population normally does not appear to be great, but when excitement is running high it takes advantage of the opportunity to encourage gatherings and processions that are seldom dispersed by the police without bloodshed. And since the Arab Executive is usually stampeded into making its decisions by the more fanatical members, its influence is never toward moderation or conciliation, but always in the direction of defiance and provocation of the authorities.

Recently, a number of factors have combined to arouse a sense of community among the Arabs that is usually absent. First, both the publication of the French reports and the conclusions of the Mills census took a pessimistic view of Palestine's capacity to absorb any considerable number of Jewish immigrants. Second, Arab feeling was aroused to a high pitch in mid-September when the body of King Feisal of Iraq was landed at Haifa en route to Baghdad for burial. A hundred thousand Arabs from all parts of Palestine and even from Syria and Transjordania assembled at that port to lament the passing of one of their idols. Third, the publicity given to Jewish demands for higher quotas for refugee immigrants and the actual presence in the cities of thousands of obvious newcomers made the Arabs fear that Palestine would soon be swamped with wealthy Jews who would buy up all the land in the country.

But a significant change has come over the Arabs. In 1929 their ani-

mosity was aimed at the Jewish settlers; *now it is directed against the* Palestine Government and the British. The processions and demonstrations in October were, therefore, protests against British immigration and land policy. The fundamental reasons for the prevailing Arab unrest are economic rather than religious. Zionist leaders maintain that the influx of Jewish capital since 1920, estimated at $250,000,000, is responsible for Palestine's prosperity, that the Jews have paid high prices for the lands they have bought, and that the Arabs as well as the Jews benefit from the rapid economic development of the country. Arab leaders, on the other hand, argue that Jewish wealth is driving the Arabs from the land, that Jewish capital for development has not helped the Arabs greatly because Jewish labor has been used exclusively wherever possible, and finally, that the British policy initiated by the Balfour declaration is to blame for turning Palestine over to the Jews.

The actual disturbances in October arose out of the prohibition by the authorities of processions of all kinds by the Arabs. Nevertheless, one formed at Jerusalem on Oct. 13 and the police had some difficulty in dispersing it. At Jaffa and Nablus similar demonstrations of protest were prevented. The Arab Executive then defied the government by announcing a mass protest against Jewish immigration and a general strike at Jaffa on Oct. 27. Efforts to prevent the demonstration failed, and in the affray which resulted more than twenty persons were killed and about 130 were wounded. On the following days ferment among the Arabs spread and clashes between Arab crowds and the police and military occurred at Haifa, Nablus, Safed (the scene of the worst massacre in 1929), Nazareth and Jerusalem. *In all cases where the police* or military fired into crowds, they did so only after they had been fired on. Jews were attacked only at Haifa, where a bus carrying Jewish workers was stoned by Arabs. The general strike, which had been planned in the Spring by the Arab Executive, virtually paralyzed business throughout Palestine except in towns that are predominantly Jewish.

The British authorities immediately enrolled and armed special constables, and two squadrons of planes from the Royal Air Force in Egypt flew over the principal cities as a warning gesture. Several prominent members of the Arab Executive were placed under arrest without bail. A strict censorship was decreed and Arab newspapers ceased publication in protest. Curfew regulations were put into effect in many towns. Finally, on Oct. 30, General Sir Arthur Grenfell Wauchope, the High Commissioner, invoked the "Palestine (Defense) Order in Council 1931," a step which gave him full power to deal with the emergency.

Though the strike was generally observed by Arab shops and workers, the government had the situation so well in hand that the anniversary of the Balfour declaration, on Nov. 2, passed without serious incident.

British policy in the mandate was restated by Sir Philip Cunliffe-Lister, Colonial Secretary, in a speech broadcast from London in connection with the opening of the new port works at Haifa on Oct. 31. "The mandate," he declared, "carries with it a clear duty to the Arabs and to the Jews. That duty will be discharged fully and fairly without fear or favor. There is under the mandate an obligation to facilitate the establishment in Palestine of a national home for the Jewish people.

But at the same time there is an equally definite obligation to safeguard the rights of all the inhabitants. Both obligations will be most carefully observed." He concluded by asserting that the duty of preserving law and order would be "thoroughly discharged." Such an announcement was, of course, to be expected, but it satisfies neither Jew nor Arab. What concerns both is the manner in which this neutral policy is applied to such specific problems as the Jewish immigration quota and land sales.

TURKEY'S TENTH ANNIVERSARY

The tenth anniversary of the founding of the Turkish Republic was celebrated by the Turkish nation on Oct. 29 with a display of military strength and carefully planned festivities that would have done credit to one of the powers of Western Europe.

As the Turks were unused to organized celebrations it was necessary to make arrangements long in advance and to coach the people carefully to insure their attendance at the ceremonies and participation in reciting slogans and singing the special anthem. The People's Houses (the social clubs of the People's party) supervised the rehearsing of speeches, plays and songs in their localities. During the ten days preceding and following the anniversary railway fares were greatly reduced to enable the poorer citizens to visit Ankara, the capital. And every village in Turkey sent a man, a woman and a child to its provincial capital for three days as guests of the government.

A minute of silence was observed at 8 P. M., the exact hour when the republic was proclaimed on Oct. 29, 1923. When that minute expired 101-gun salutes boomed forth in every town in Turkey. The 400 planes of the Turkish Army carried out manoeuvres over Ankara and other cities a dropped 50,000,000 manifestoes.

At Ankara Mustapha Kemal spo to a crowd of more than 100,000 at t race track. "Our greatest accompli ment," he said, "is the Turkish I public, which the heroism and hi culture of the Turkish people creat thanks to the nation's will and t valorous army, but our task is unf ished. What we have done is insuf cient. We will raise our fatherland the ranks of the most prosperous a most civilized nations of the wo with the speed of this age in whi we live."

Several foreign delegations we present at Ankara for the celeb tions, the most important being th from Soviet Russia. It number twenty-one persons and was head by Klementi Voroshilov, Commiss for War and Navy, and the first me ber of the Political Bureau to lea Russia since the revolution. Maxi Litvinov, Commissar for Foreign A fairs, would also have gone to Anka but for his selection to go to Was ington to discuss the question American recognition. His place wa taken by Leo M. Karakhan, Vice Com missar for Near Eastern Affair

The Turkish Foreign Office ha been extremely busy during the pa months in an effort to conclude ne treaties and renew old ones with a Turkey's neighbors before the date the anniversary. During Septembe and October treaties pledging frien ship, non-aggression, neutrality an arbitration were signed or arrange with Greece, Rumania, Hungary an Yugoslavia.

INDUSTRIAL DEVELOPMENT I EGYPT

Egypt is not usually thought of a a country bent on becoming self-su ficing. Cotton, in the production o

which she ranks third in the world, has normally provided an income sufficient to purchase such manufactures abroad as were required. In recent years, however, cotton prices have been so low that the staple has been grown virtually at a loss, and even cheap Japanese and Italian cotton manufactures have seemed dear. It now seems probable that within a short time Egypt will be manufacturing her own cotton goods. The Egyptian Misr Company, a wealthy corporation of Cairo and Alexandria with vast interests in cotton growing, ginning, exporting, transportation and banking, has taken advantage of the depressed condition of the cotton mills in England to buy the equipment of a number of Lancashire concerns. One of the largest textile mills in the world will be built in Cairo to house this equipment and the plant is expected to begin production within a year.

The new Egyptian Cabinet, appointed on Sept. 26, has found a certain amount of party support in the decision of the Shaabists to cooperate with the government so long as it follows the general policy of the party. But, since the Shaab is dominated by former Premier Sidkey Pasha, it will be necessary for the government to please that strong-minded leader. A struggle between Sidkey and Yehia Pasha, the present Premier, is freely predicted, and it is believed that there can be but one outcome—a further increase in the influence of King Fuad.

THE ASSYRIAN QUESTION

Two months ago it was thought that Iraq's treatment of her Assyrian minority would be one of the principal concerns of the Fourteenth Assembly of the League of Nations. This question was brought to the attention of the world by a revolt in August and a massacre of Assyrian villagers shortly after. Widespread sympathy was expressed for the ancient Christian sect and it appeared likely that Iraq would be taken to task for the excesses of its troops. But the League Council at once recognized that the difficult problem required thorough investigation, and a committee was appointed to consider the evidence submitted by both sides.

At the final meeting of the Council on Oct. 14, Nuri Pasha, the Iraqi Minister of War and official delegate, declared that the formidable armed force that revolted in August received only its just deserts. He asserted that a home ought to be found for the Assyrians who did not wish to be loyal citizens of Iraq, and that the Iraqi Government would cooperate with the League in finding such a solution, but added that Iraq did not intend to provide any land for the carrying out of the project.

Señor de Madariaga, the rapporteur of the committee which studied the question, proposed the appointment of a new committee to investigate the possibility of settling the sect elsewhere, and that the Iraqi Government should meanwhile keep the committee informed of its measures to protect the Assyrians. Joseph Paul-Boncour, the French Foreign Minister, stated that a number of the Assyrians had already been allowed to settle in Syria and that others might be accommodated, though the capacity of Syria to absorb immigrants was limited. The Council then concluded by naming Señor de Madariaga himself on the new committee along with representatives of Great Britain, France, Italy, Denmark and Mexico. In so far as the League Council dealt with the alleged outrages, it appeared to be more concerned with finding a constructive solution than with attaching blame to Iraq.

Russia's Stake in the Far East

By TYLER DENNETT
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DURING the late Autumn the tension between Japan and the Soviet Union increased and once again talk of war in the Far East was to be heard. Several new developments served to make the Russian attitude less complacent than it had been for some time, while alleged Japanese activities did nothing toward quieting the ruffled feelings of the Soviets.

The Chinese Eastern Railway continued to be a source of bad blood between Japan and the Soviet Union. Late in September the Soviet Government apparently obtained possession of the text of documents which it said were reports to the Japanese Foreign Office from General Takeshi Hishikari, who now holds the triple posts of Commander-in-Chief of the Kwangtung army, Governor of Kwantung territory and Japanese Ambassador to Manchukuo. These documents, if genuine, disclose a detailed plan by which the Japanese officials in Manchuria, working in close cooperation with Manchukuo officials, would "resort to active measures of pressure" to speed the negotiations for the sale of the Chinese Eastern Railway to Manchukuo. These negotiations have been deadlocked for many weeks, the Soviets holding out for at least 200,000,000 yen [about $100,000,000 at par] while the Japanese have offered not over one-fourth of that sum.

The alleged plot included the following proposals: (1) The Manchurian assistant manager of the Chinese Eastern must give his sanction to any order of the Russian manager before it can be valid. (2) The Japanese police and prison authorities must carry out "raids and thorough investigations" of Communist organizations. (3) "By way of preparatory measures, in view of the possible seizure of the railroad, employes of the railroad, the military police and others are being mobilized, and approximate distribution of forces is being made." (4) Collection of material concerning unlawful acts of Soviet employes of the railroad. (5) "Unexpected searches" are to be made in the commercial school in Harbin and in the railway clubs along the railroad. (6) A check-up on the payment of taxes and general activity of the Far Eastern Bank. (7) A plan "to compel private creditors of the Chinese Eastern Railway to demand payment of debts and later to sequester property of the railroad." (8) Release of White Russians now under arrest. (9) The method to be followed in the execution of these measures involved speed, "strict secrecy," and the appearance that they were being done independently of the Tokyo negotiations.

Another document disclosed a plan to arrest seven Soviet railway officials, including the chiefs of the secret service, the locomotive depot in Harbin, the rolling stock supply and the financial department.

Supplied with these documents, and another not yet published, which the Soviet Government evidently believed

be authentic, encouraged by the rvests at home, heartened also, perps, by intimations of approaching ıerican recognition, the Soviet vernment on Sept. 22 protested to ɔan against the "gross violation of aty rights" in Manchuria. It dered that Japan was "instigating" zure of the railway and warned kyo that the Japanese, not the nchukuo, Government would be d directly responsible for the exing disorders along the Chinese stern Railway. Three days later, as ough to prove that the documents re authentic, the Japanese authoris arrested five Soviet railway offils for "breach of trust."

On Sept. 28, Constantine Yureniev, viet Ambassador in Tokyo, showed texts of the alleged documents to Foreign Office. Their authenticity s at once denied, but within a week panese papers were filled with rurs of Soviet preparations for war. ıch was made of the fact that the viet authorities had made a new e requiring foreign ships entering ıdivostok harbor to engage Soviet ots. Li Shao-kun, president of the inese Eastern, issued a statement Oct. 7 that if Manager Rudy perted in refusing to acknowledge nchukuo authority, and insisted on restoring Russian officials disırged by Manchukuo, he might find necessary to withdraw the railway ards and let the bandits have their y.

The Soviet Government published document on Oct. 8. *Pravda* gave two-column head on the front page, *Izvestia* devoted more than half front page to the alleged dissure. Moscow was palpably stirred. kyo denounced the publication as "inexcusable breach of good faith" 1 "malicious fabrication." The War fice spokesman declared: "We must demand amends, a retraction and guarantees of future good faith." Shanghai reported an exodus of White Russians to Manchuria, while the notorious General Semenov asserted that 200,000 White Russians were ready to fight the Soviet Union provided that Japan furnished the arms and supplies. For a day it looked as though Japan and Russia were preparing to reopen the struggle for the stake that Russia lost in 1905.

Quickly, however, it became evident that, in spite of much Japanese bluster, the Japanese Government did not at this time desire war with Russia. Hugh Byas, Tokyo correspondent of *The New York Times,* reported on Oct. 12 that the Japanese were ready to increase their offer for the railroad to at least $18,000,000, and possibly even more. Foreign Minister Hirota went to some lengths to explain that his remark, "a cowardly dog is a great barker," involved, in the Japanese language, no disrespect for the Soviet Government. General Araki, on Oct. 14, hastened to assure the world that "Japanese military power will never be used except morally." But he coupled this assurance with the statement: "It is natural to imagine that Russia is Japan's potential land enemy and that the United States is the Japanese Navy's potential enemy on the sea."

While Minister Hirota professed great pleasure that the United States was to re-establish friendly relations with Russia, the significance of American recognition at the present moment was not overlooked in Tokyo. "Fear that the United States and the Soviet Union will start operations in the Far East is baseless," explained the *Nichi Nichi.* "The United States cannot do anything in this part of the world, even if it has Soviet support." The newspaper, however, ad-

mitted that a Russo-American understanding would be likely to raise the hopes of China.

General Araki, Japanese Minister of War, who has a habit of throwing out in casual interviews suggestions for the conduct of Japanese foreign relations, proposed on Oct. 30 that Japan summon a nine-power peace conference to meet in Tokyo before 1935, when the existing Washington treaties of 1922 expire. General Araki admitted that, while he had discussed the matter with several members of the Cabinet, he had not consulted others. He believes that both the Kellogg and the Nine-Power Pacts have proved defective and require revision. Unless some agreement could be reached, the General predicted that either Japan must go forward with her military preparations, or "the people of Asia, led by China, will become permanent servants of the white races."

One significant feature of General Araki's proposal is that while nine powers would be invited to the conference it would not be the nine powers that signed the famous Washington treaty. India would replace Portugal and Manchukuo would replace Italy. To that extent Great Britain would be at a certain disadvantage as compared with her position at the Washington conference. The presence of Manchukuo at the table would, of course, give the puppet State the international recognition which has so far been withheld, to the great annoyance of Japan.

General Araki's proposal was received coldly, particularly by the United States and Great Britain, though it was suggested in Washington that the project indicated that the moderates in Japan were regaining a little influence. A similar interpretation was placed upon the recall of Ambassador Debuchi for conference with the Foreign Office. However, the character of the man who may replace him will indicate more clearly than does Debuchi's recall whether a more moderate policy is to be expected in Tokyo.

Notwithstanding repeated good-will overtures from Japan, American policy in the Far East has remained undeclared through the first eight months of the Roosevelt administration. Count Ishii has renewed his suggestion for a non-aggression treaty, but Washington has made no further comment. The negative signs of positive policy are not very encouraging for Japan in view of the wheat and cotton loans to China, the new American naval program and the recognition of the Soviet Union.

It is not unprofitable, for the moment, to speculate on the most likely political alignment if Japan were to persist now in provoking a quarrel with the Soviet Union. Japan would probably have sympathy and some financial support from France. China would be with Russia. The other powers would have strange bed-fellows—Great Britain against Japan, and therefore against France and for Russia; the United States for Russia; Germany equally uncomfortable in either bed; and Italy stealthily trying to steal the covers from both. Such speculation is profitable both to show how unlikely it would be that the powers would actively participate in such a dispute in the Far East and, further, how unlikely it is that Japan will actually provoke it. Russia could, doubtless, be easily driven west of Lake Baikal, but the only powers to benefit by such a contest would be Japan's great trading rivals, Great Britain and the United States. The Japanese military have done some strange things in the last few years, but nothing yet equal to the blunder of bringing on a war with the Soviet Union.

JAPAN'S WAR BOOM

Among the few courageous souls in Japan who, in recent years, have had the audacity to stand up before the military party and exhibit the elementary economic facts is Baron Seinosuke Goh, president of the Tokyo Chamber of Commerce and Industry. In special correspondence to *The New York Times* he called attention to some of the underlying facts of Japan's financial position. Company profits (298 firms) on paid-up capital in 1931 amounted to 5.7 per cent. In 1932 the profit had increased by 1.3 per cent. Bank deposits likewise showed an increase. The value of export trade in the first half of 1933 rose over the similar period of 1931 in the proportion of from 572 to 856. The number of unemployed has decreased. The monthly index of commodity prices has risen from 111.4 to 133.3. In short, Japan is enjoying a boom.

Baron Goh, however, pointed out that it is a war boom. Taxes cannot be increased to meet the extraordinary expenditures for both war and for relief. The alternative is more borrowing. But, added Baron Goh, the continued flotation of government loans, unless the government at the same time balances its budget, will cause a heavy fall in the value of the bonds, and the exchange rate for a country with an unbalanced budget will go still lower. "If the Japanese Government should put an end to its extraordinary expenditure, the reaction even now would be terrible." Thus Japan is caught on the merry-go-round of finance. To keep going the government has had to spend when it had no money to spend, but to retrench is to invite financial collapse. Other countries are in the same plight, but with the difference that they have greater resources and are, in many cases, less dependent upon foreign trade. If the plans of the Japanese Army and Navy are accepted, the probable deficit for 1934-35 will be about 1,000,000,000 yen [at par about $500,000,000].

With evident glee the Japanese cotton industry reported, early in October, that in the first eight months of the current year Japan surpassed Great Britain in the total number of square yards of cloth exported. Only so recently as 1929 Great Britain exported 3,866,000,000 yards as compared with Japan's 1,418,000,000.

Japan is now suffering from a bumper rice crop. The estimated yield is still 37,000,000 bushels under the usual consumption, but the government has a carry-over of 50,000,000 bushels and Japanese colonies have been encouraged to produce another 80,000,000.

In spite of the depreciation of the American dollar, and notwithstanding the retreating shadows of the anti-Japanese boycott, Japan appears to be regaining her commercial supremacy in North China. It is estimated that the boycott is not now more than 5 to 10 per cent effective. American trade is now below 15 per cent of the total at Tientsin as compared with 24.2 per cent in 1929, while Japanese trade accounts for more than 40 per cent of the total. Unsuccessful foreign competitors complain of Japanese dumping, to which the Japanese reply, as they have in India, that theirs is the advantage of lower production costs as well as of accessibility to the North China market.

CHINESE FINANCE MINISTER'S RESIGNATION

In China, Japan may derive some slight encouragement from the resignation of Dr. T. V. Soong, who has been Finance Minister, except for a brief interval, since 1927. Dr. Soong,

in addition to having the confidence of bankers and business elements in China, has been conspicuous for his opposition to the militarism of General Chiang Kai-shek, and to a conciliatory policy toward Japan. On his recent trip abroad Dr. Soong was able to arrange for a $50,000,000 American loan and seemed wherever he went to enjoy the respect of Foreign Offices. The Japanese Ambassador in Peiping on several occasions warned the Nanking Government that Dr. Soong's activities were not well received in Tokyo. Japan has also opposed the extension of the League of Nations program for cooperation in the rehabilitation of China. Ludwig Rajchman recently arrived in China to coordinate the League's activities. At the same time Yotaro Sugimura, formerly Japanese delegate to Geneva, conferred with Chinese Government officials regarding both the American wheat and cotton loan and also, so it was reported, to thwart the activities of Mr. Rajchman. Nor are the Japanese likely to welcome Sir Arthur Salter, whom Dr. Soong is also reported to have invited to China.

The resignation of Dr. Soong would therefore seem to indicate that the Nanking policy toward Tokyo is to remain conciliatory. The acceptance of his resignation by the Central Political Council at an emergency meeting at Nanking was somewhat of a surprise. He was replaced by Dr. H. H. Kung, Governor of the Central Bank of China and former Minister of Industry. Upon the resignation of Dr. Soong, Chinese bankers began to sell their bonds.

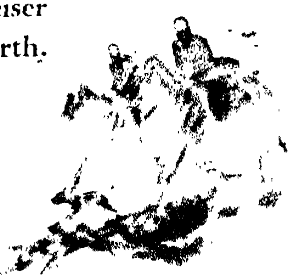
Apparently without any serious opposition from Nanking, 170 Mongol princes of Inner Mongolia established on Oct. 29 a semi-independent government in Suiyan Province. The Nanking Government has acquiesced in the local autonomy of Inner Mongolia, it being understood, however, that defense and the direction of foreign affairs will continue to be the prerogatives of Nanking.

UNREST IN SIAM

In Siam, even as in Cuba or Nebraska, it is hard for the government to maintain itself under the shadow of business depression. Prince Bavaradaj, formerly War Minister and one of the numerous cousins of King Prajadhipok, led a rebellion on Oct. 12 which, although reaching the outskirts of Bangkok, collapsed a few days later after an all-night cannonade by loyal governmental troops. Airplane fighting was a spectacular feature of the ephemeral revolt. The King and Queen were in residence at Huahin, a seaside resort far from Bangkok. The causes, other than the general effect of the depression, are not clear from the dispatches. One explanation is that Luang Pradit, the liberal leader who was expelled from the country last April after an unsuccessful uprising, has been permitted to return to Siam, where his arrival was celebrated by a reforming of the so-called Communist discontents. One comes to distrust the alleged communistic character of the unhappy and hungry Orientals. At any rate by Oct. 18 Bangkok had returned to business as usual, while the King and Queen seemed to have ridden out the storm in complete security.

On the other hand, the view seems to be common in London, where the facts are likely to be known, that Siam is not yet finished with her revolutions. The *Daily Mail* correspondent reported from Kuala Lumpur on Oct. 23 that notwithstanding the apparent government victory, Siam was faced with both financial breakdown and a fall of the monarchy.


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